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The Political Economy of Stuart Holland: A Marxist  
Critique.

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(B.A. Hons., M.A., P.G.C.E.)

A dissertation submitted to the University of Bristol, in accordance with the  
requirement of the degree of Doctor of Philosophy in the Faculty of Social  
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## Abstract

This is a Marxist critique of social democratic analyses and strategies in an era of transition in the global political economy which is made through the examination of the ideas and prescriptions of an influential social democratic thinker, Stuart Holland. Holland develops his political economies and strategies in three phases: the national, the 'European multilateral or international' and the 'European regional'. Each is criticised in turn from the standpoint of the theory of bloc imperialism.

Holland does not apply classical Marxist propositions of economic and political analysis. He is eclectic or pluralist in his analytical theories. A primary weakness of his approach is that he fails to develop a class approach to the state, to monopoly capitalism, to the British political economy or to the European political economy. Holland's under-theorisation of the state within monopoly capitalism results in an over-estimation of its capacities in relation to the system. A class understanding of the capitalist state infers that it is limited in relation to what it can do in restructuring capitalism.

A key flaw in his perspective is that capitalism has entered a 'new mode of production' in which the struggle of multinationals against states predominates. Instead of viewing MNCs and states as an integrated whole, a contradictory unity, he perceives them as two independent forces. Consequently, he rejects the alternative perspective of capitalism as a system of inter-imperialist rivalries.

## Acknowledgments and Dedication

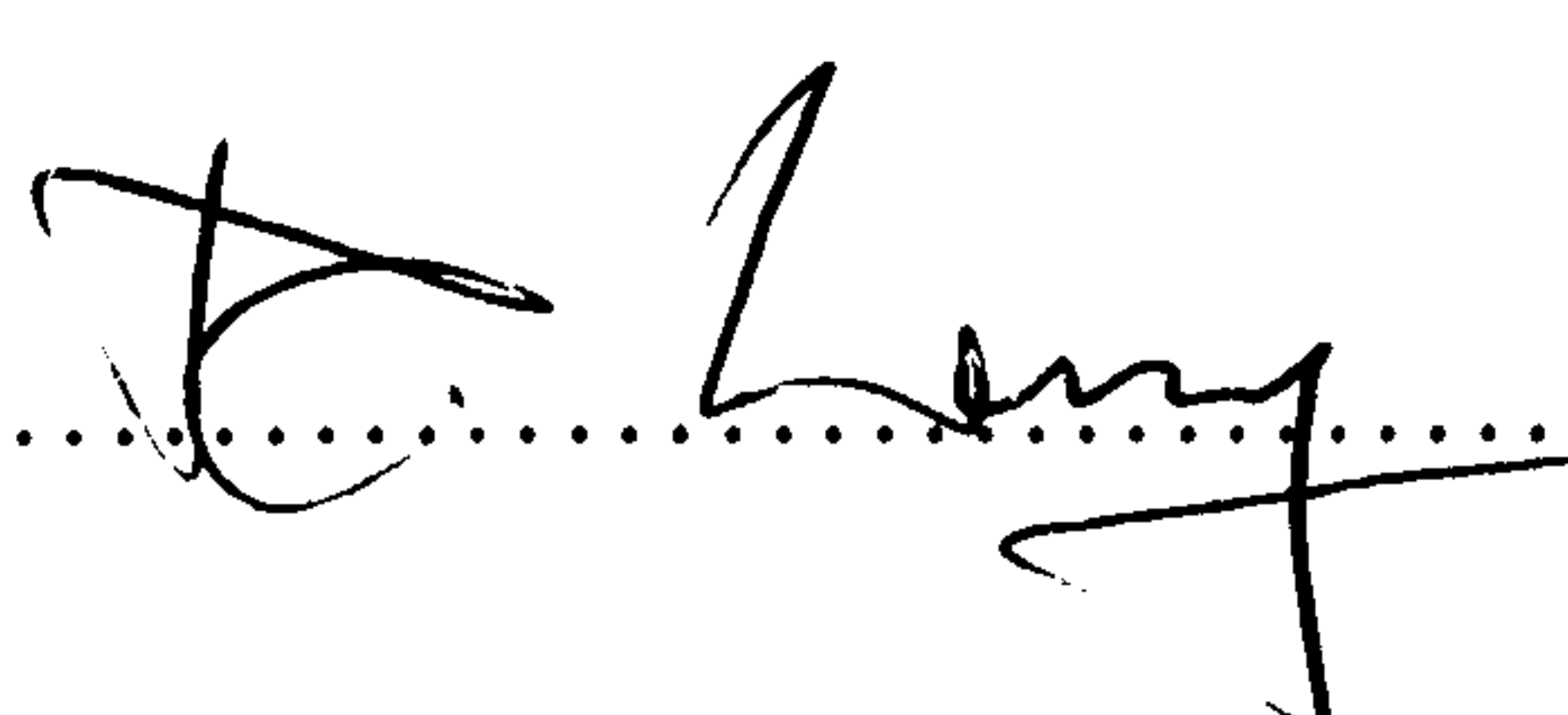
This thesis has been a long time in the making. I would like to thank Prof. Phil Cerny for introducing me to the problems of International Political Economy. Prof. David S. Bell introduced me to the work of Stuart Holland and he was a great source of encouragement in the early years. Hugo Radice also helped raise important issues. Lastly, my thanks go to Prof. Mark Wickham-Jones for encouraging me and discussing the final stages of the thesis. None of the above is responsible in any way for the views expressed, or the errors made, in the text.

The most heartfelt thanks go to Sabrina and Amy without whose help, patience and forbearance this thesis would never have been finished.



Author's Declaration

I declare that the work in this dissertation was carried out in accordance with the Regulations of the University of Bristol. The work is original, except where indicated by special reference in the text, and no part of the dissertation has been submitted for any other academic award. Any views expressed in the dissertation are those of the author.

Signed:.......... Date.....14/1/08.....

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## Acronyms and Abbreviations

AES	Alternative Economic Strategy
BCP	Beyond Capitalist Planning
EC	European Community
ECB	European Central Bank
EI	European Integration Process
EIB	European Investment Bank
EIF	European investment Fund
EIP	European Integration Process
ERT	European Round Table
ESCB	European System of Central Banks
ESM	European social model
EU	European Union
IPE	International Political Economy
IR	International Relations
IRI	Istituto per la Ricostruzione Industriale (Industrial Reconstruction Institute)
MNCs	Multinational Companies
UM	<i>Uncommon Market</i>
OoC	<i>Out of Crisis</i>
NS	National strategy
PS	Parti socialiste
SC	State Capitalism
SEA	Single European Act
SMC	State Monopoly Capitalism
TEU	Treaty of the European Union
US	United States

## Introduction

The origins of this thesis lie in my studies in International Political Economy and European Studies made under Prof. Phil Cerny and Prof. David S. Bell at Leeds University in the late 1990s. They emphasised the changes taking place in the European and global political economy that were problematic from the standpoint of Marxism. Primarily these changes took the form of the nation-state being absorbed into webs of economic and political interdependence and integration that in turn were reshaping the national political economy of states. Furthermore, these changes influenced how the nation-state could act both domestically and overseas in the global political economy and were impacting on the political strategies that political parties could pursue.

The subject of the study, Stuart Holland was suggested to me by David Bell as a means for exploring these issues. Stuart Holland, a left social-democrat, had written extensively on national, European and global issues (See Appendix A for biographical details). I discovered that he shared perspectives with many in radical political economy about global capitalism (e.g. the role of MNCs). He provided an excellent opportunity, therefore, to investigate the problems made plain to me by my studies. My primary interest in Holland is therefore in the theories and concepts that he utilised to explain the changes that have taken place in the national and European political economies over the last fifty years. The implications that his theories had for social democracy are drawn out and compared in terms of ideas and concepts but social democracy's development in itself plays a secondary role to the examination of those ideas and concepts.



Moreover, Holland was not purely an academic he was also a strategist for left social-democracy, he had be influential at various levels within European social democracy.<sup>1</sup> This further provided a link between theory and practice: Holland's theories and concepts gave shape to his strategies and his policy prescriptions. Thus Holland provided an ideal representative or exemplar of both a trend in radical international political economy and radical, social-democracy that might help me elaborate a Marxist response to the issues in the global political economy that intrigued me. The added bonus was that as Holland was such a prolific writer his ideas were readily accessible in the public domain.

The reader will not find me having made extensive empirical researches into Holland's archives. This was not necessary. Holland's principal ideas and concepts that he used in his political economy and strategies were readily accessible in his many published texts. Thus this thesis is both an exegetical and critical theoretical evaluative exercise. It subjects to severe criticism selected pivotal texts of Stuart Holland. Furthermore, the method of my critique has not been to refer to historical data necessarily, but to look at the internal consistency of Holland's ideas and to highlight flaws, omissions, inconsistencies and contradictions and to utilise the studies of others to present an alternative theoretical understanding of the issues. In a sense, in my debates with Holland I am seeking a "paradigm" which best explains the totality of political, social and economic relations of global capitalism from the standpoint of historical materialism or Marxism.

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<sup>1</sup> See Appendix A.

My initial premise had been that as Holland was a ‘socialist’; because he sometimes used what appeared to be Marxist concepts and claimed, at times, his analysis was based on class, and because others classified him as Marxist. However, I found that the deeper I went into his theories and strategies the less I was convinced of this and the more convinced was I that a Marxist reply to his analysis was necessary. Therefore I had to revise my judgement of his positions and start afresh to construct my own theories which I held to have more consistency in terms of Marxism or historical materialism. By ‘consistency’ I mean explaining the totality of phenomena from within an historical materialist point of view without having to resort to non-materialist, i.e. philosophically idealist explanations.

Therefore, my aim in this thesis is to summarily outline Holland’s perspectives and prescriptions and then subject them to a Marxist critique.

Out of this process of analysis there emerged an alternative to Holland’s interpretation of the phenomena of the global political economy. I sought a consistent Marxist explanation or theory for the same phenomena that he interpreted. There is, therefore, a synthetic element in the thesis that runs through it. This element is the combination of various concepts into what I have termed as the ‘*theory of emergent bloc imperialism*’. The concept of bloc imperialism (in the European context) sets out to examine the process and the conditions whereby individual national imperialisms embarked upon the formation of bloc imperialism in Europe, post-1945. The concept of ‘bloc imperialism’ as applied to European integration is not new; notable early contributions to it were made by



Ernest Mandel (1970 and 1978) and Nabudere (1977 and 1979); however it is only recently that the theory has gone through new developments (especially in the work of the Carchedis: 1999, 2001, 2002). Bloc imperialism as a concept, although commonly used in Marxist discourse, has not been fully investigated in terms of its economic, social and political implications. The political and class characteristics and properties of it have yet to be fully been teased out; this thesis is a contribution to that task. More research on this, beyond this thesis, remains to be done. The thesis is a contribution to using this theory to contextualise the critique of an individual political theorist and to illustrate the flaws in the social-democratic perspective on regionalism. The critique of Holland's analysis and the elaboration of the theory of bloc imperialism develop side by side by in the text and are intended to do so. It is from the basis of the theory that I can criticise Holland's national and European political economy, from consistent historical materialist positions without lapsing into frameworks that utilise non-Marxist principles or philosophically idealist concepts.

### Plan of Chapters

Chapter One of the thesis outlines the background, the literature review, rationale, research aims and hypotheses, analytical framework, argument in brief, theoretical approach, evaluation criteria, methodology and sources of the thesis. There is a short review of some relevant literatures. This presents a review of two important areas within Holland's political thought: social democracy and international political economy. The selection of these two topics was seen as important to an understanding of the context of Holland's writings.



Chapter Two adumbrates the major differences between what I consider to be Marxism and Holland's theories and concepts. It sets out the origins and theoretical roots of the perspective that I regard as Marxism; a Marxist theory of monopoly capitalism, the multinational monopoly firm, the relation between the state and monopoly capitalism, a theory of economy crisis, of imperialism, the social and political aspects of the theory of imperialism, and the theory of bloc imperialism. I then compare and contrast Holland's theories against this summary of relevant Marxist thought to draw out where they differ. The chapter concludes with an evaluation of Holland's theory of monopoly capitalism.

Chapter Three discusses what I have termed Holland's national political economy and strategy. It elaborates Holland's political economy and national strategy and then subjects both to criticism. In particular I am critical of Holland's concept of a 'new mode of production' in the 1950s and 1960s. I discuss the role of the financial capital and monopolies in the British economy. I highlight what I term the 'dual' nature of the British political economy; and the British state's relationship with MNCs. I evaluate Holland's strategy related to his political economy: this is divided into two sections; one discussing the scope and limits of state capitalism and the other is the consequences for Holland's public enterprises when competing in the global market. I then comment on Holland's concept of British state's relation to monopoly capitalism. Holland's thought on parliament and the Labour Party are given some consideration. In the light of the analysis made, the next focus is the question of whether a socialist strategy is viable in a national arena. I follow this up with a discussion on whether progressive reforms

are possible in such a context. Lastly I conclude my examination of Holland's political economy and strategy by summarising my criticisms, chief among which is that Holland has not acknowledged British imperialism in his analysis.

Chapter Four has as its themes Holland's political economy of the European integration process and his European international strategy. Holland abandoned his national strategy for a multilateral or international strategy. I summarise his political economy and strategy then I subject both to scrutiny. The critique is divided into two parts. The first part examines Holland's theory of the European Community (EC) and more generally the European integration process; within that I look at Holland's use of Marxist tools of analysis and his closeness in method to neo-Gramscianism; Holland's method of analysis is criticised. This is followed by an application of the theory of emergent bloc imperialism to the analysis of European integration. The question of the nature of the EC is then discussed. I then comment on Holland's partial representation of its policies. This is followed by a critique of Holland's portrayal of the EC's political dynamic i.e. the motive forces behind the process. Next, I discuss the role of the nation-state in the European integration process. Holland's concepts of the relation between nation-states and national capital and of the 'national bourgeoisie' are questioned. This is complemented by a discussion of the relevance of some recent research on MNC operations within the EC/ European Union (EU). Then I examine Holland's discussion of the conditions under which a European 'state' might emerge. Holland's multilateral strategy is then evaluated and criticised and this is followed by the conclusion.



In Chapter Five I summarise Holland's ideas on regional political economy and strategy. They are then subject to a critique mainly from the standpoint of the concept of bloc imperialism. Holland's policies are regarded as a variety of 'strategic rationale' policy and as complementary to the ideas of big business. Holland's policies on Social Europe, Monetary Union, Competitiveness Policy and the Japanese model of flexibility are subjected to analysis and criticism. Holland's political strategy is also discussed with a particular focus on the idea of EU state-building and the implications of his ideas for European social democracy.

Chapter Six presents my conclusions and draw out some of the research implications. My main conclusions are that I consider Holland's analyses to be seriously flawed from the standpoint of Marxism and that his social democratic strategies are not viable from a 'socialist' standpoint. Holland's account of the global capitalist economy is found to be lacking in a number of significant areas. His rejection of an approach based on historical materialism weakens: (i) his class analysis of the state, (ii) the social relations that structure economic and political development, and (iii) his ability to develop strategies that can realise the goal of socialism i.e. the reorganisation of political power so that it expresses the power of the working class. There is a discussion of some of the further lines of research implied by the theory of bloc imperialism.

## A Note on Some Key Terms used in the Thesis

It might be helpful to clarify some terms used in the thesis to avoid misunderstanding. I use the term ‘political economy’ in the classical political economy sense to signify the understanding of the structure of the relations that exist between state and the economy and their interactions. By strategy I understand the plan devised to achieve a specific objective. Strategies are specifically related to political-economic analysis.<sup>2</sup> By ‘socialist’ I mean a political philosophy that seeks to replace capitalist power by that of the working class; by ‘social democracy’ I understand the political philosophy that replaces the goal of working class power by the seeking of reforms within capitalism. I recognise that these are contested concepts but this is the sense I have used them in the text.

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<sup>2</sup> See: Looker and Coates (1983).



## Chapter One: Background, Rationale, Research Aims and Hypotheses, Analytical Framework, Argument in Brief, Theoretical Approach, Evaluation Criteria, Methodology and Sources.

In this introductory chapter I set out the background to the thesis outlining briefly some of the political problems, particularly for ‘left’<sup>3</sup> political thinkers, which are associated with developments in global capitalism. Next, the reasons for choosing Stuart Holland as a focus for the examination of these issues are elaborated. A brief review of literatures relating to social democracy and international political economy along with an outline and clarification of my theoretical approach to the topic, which is Marxism, is made to provide a context of the basis of this critique. The research aims, hypothesis, analytical framework and a brief outline of the argument made in the thesis are then explained. Following that, the methodology, sources and the evaluative criteria are discussed.

### *1.1 Background*

The changes in global capitalism over the last fifty years with the scientific and technological changes, the changes in transport, the steady liberalization of trade, investment and finance across the globe, the rise of the multinational firm, the growth of international organisations, regimes and regional blocs, the increased networks within which national governments work, the spread of commercial culture, and global communications have bedazzled the humble bystander

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<sup>3</sup> The term ‘left’ is an ambiguous term. It is a ‘catch-all’ term used to describe very different political parties on the left of the political spectrum under capitalism. In this thesis I will use it as a broad term to refer to those who seek to advance political and economic reform under capitalism and those who wish to advance to socialism beyond capitalism.



(Berger 2000; Held 2000, introduction; McGrew 2000; Cox 1997). He or she is not alone. Academics from a wide range of disciplines have disputed and debated its origins, nature and consequences (Held, McGrew et al 1999; Hirst 1999; Berger 2000; Rupert and Smith 2002). Within politics, the various interpretations of these changes have resulted in questions being raised about the viability of existing political strategies across the political spectrum. Questions have been raised about the nation-states capacity to both manage its own economy and the consequent political issues that arise from that (Berger 2000; Paul 2003; Held 1988; Hirst 1999). A wide variety of strategies have been advanced to address the various political and economic problems that have arisen in the new politico-economic context e.g. progressive nationalism (Bienefeld 1994), supranational federalism (Haesler 2004), cosmopolitan democracy (Held 2002; Sakamoto 1995) and global Keynesianism (Kohler 1999; Holland 1994b).

It can be argued that left-wing political academics and strategists have been in deep debate over the powers of the state, for a long time, in the contemporary age. The relevance and feasibility of strategies focused at various levels, either national, European or global, have been proposed and debated for the last forty or fifty years (e.g. Mandel 1970; Rowthorn 1971; Murray 1975; Radice 1975; Coates 1980; Cox 1987; Held 1988; Held and McGrew 1993; Panitch 1994; Cerny 1996; Hirst and Thompson 1999; Garrett 1998; Luard 1990; Burnham 1997; Martell 2001; Strange 2002a; Beitel, 2005). Some left political strategists have asserted that due to economic developments globally, especially in the fields of trade, production and finance, the premises of building a left political strategy on the basis of the nation-state have been undermined by the structural

constraints imposed by international capitalism; others have disagreed (Coates 1980; Radice 1984; Garrett 1998; Garrett and Lange 1991). Some have argued from the same assumption, of the nation-state's insufficient resources to meet powerful, global economic forces, that the new arena of political strategy should be regional, e.g. Europe, specifically the European Union, again there have been there who have disagreed (Bieler and Morton 2001; Van Apeldoorn 2001; Hettne 1995; Coates 1986; Palmer 1986; Strange 2006; Thompson 2002; Ladrech 2000).

### *1.2 Rationale: The significance of this thesis: Stuart Holland – Left Social Democratic Political Economies and Strategies and the Changes within Global Capitalism*

This returns us to Stuart Holland. Donald Sassoon has pointed out how Holland was 'supremely aware of globalism and interdependence' in his writings (Sassoon 1997, p. 703). The relevance of Holland is that he sought to comprehend the changes in capitalism and their implications for strategy within a theoretical framework which embraced a variety of intellectual sources and ideas (including Marxism) and which is traditionally described as 'left social democratic' (Tsakalotos 1991, Chap.1). Holland constructed strategies for left social-democracy in the post-"embedded liberal" era<sup>4</sup> and recommend state-managed competition in the new global capitalism (Wickham-Jones 1996, pp. 54-58). He can be regarded as an influential left social-democratic theorist<sup>5</sup> in a period of transition for social democracy (Wickham-Jones 1996, p. 58; Featherstone 1988, p. 65; Callaghan 2000, p. 110; Callaghan 2003a; Callaghan

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<sup>4</sup> 'Embedded liberalism' essentially was the welfare state combined with elements of market capitalism and restricted trade and capital movements with other nations. See: Ruggie (1982).

<sup>5</sup> His influence can be viewed in the Appendix on Stuart Holland.



2003b; Perry Anderson 1994, pp. 1-22).<sup>6</sup> He proposed national and regional Keynesian and state capitalist strategies. Eventually he was to dismiss the nation-state as no longer having the capacity to deal with the global markets and capital and called for a political-economic strategy based on the European Union (Holland 1992a, 1993a). He proposed ‘socialist’ or state capitalist projects with the intention of managing capitalism and promoting economic growth. He wrote of the ‘socialist’ transformation of capitalism and ‘socialist planning and workers’ control’ (Holland 1976a; chap 6 and chap. 10); he maintained he gave a ‘class analysis of European integration’ (Holland 1980, chap. 5). Reviewers of Holland’s work in the 1970s regarded Holland as a central thinker within the ‘left’ (Skidelsky 1976a; Ryan 1975; See also Appendix A).

So Holland, through his writings which claimed to be from a left social democratic or ‘socialist’ perspective, provides a convenient opportunity to enter into a debate with a representative of left social democracy about how to analyse the changes in global capitalism and to discuss the political strategies open to the left. Moreover, through his works on Europe he provided the chance to engage in the class analysis of why such events are occurring in the contemporary European political economy. Thus the framework of ideas that he develops to interpret the phenomenon is intriguing: how did this representative of social democracy interpret the changes and why? What were the emphases he placed on the changes? Why were some elements of capitalism chosen for highlighting and analysis rather than others? These were the things that interested the author.

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<sup>6</sup> Holland’s positioning within ‘left social democracy’ is open to debate (See: Wickham Jones 2004); however, he has been regarded by many as in this tendency (see above) and that is the assumption of this thesis. He can be regarded as changing position over time. See Appendix A.

His analysis was complemented with strategies which are directly related to the strategies the left is currently engaged in debating (e.g. European v national strategies, see: Strange and Worth 2007). Holland, therefore, is a thinker worth study when embarking on a Marxist critique of contemporary left social-democratic theories of political-economic change.

Holland was an academic, politician, journalist and civil servant. Active in the Labour Party since his early 20s, he came to prominence as the theorist behind Labour's radical programme in 1973 (Wickham-Jones 1996, Chap. 3; Hatfield 1978). His subsequent writings have been widely-read in the labour movement and he is well-known, in Britain and abroad, for his views (Wickham-Jones 1996; Hatfield 1978; Holland 1979d, 1983, 1993a; Strange 2006). He was an adviser to Harold Wilson in the 1960s; was an architect of the Alternative Economic Strategy of the Labour Party in the 1970s, and was elected a member of parliament in 1979 and served there until 1989 when he was summoned by Jacques Delors, then EC President, to assist as an adviser on economic and social cohesion in the European Union. He wrote, or edited, at least ten major books which applied his theoretical ideas to problems at the national, regional (European) and global (development) levels. Alongside these there are numerous journal and newspaper articles which popularised and reiterated the material he wrote in his books.<sup>7</sup> Overall, these works set out Holland's interpretations of, and strategic responses to, the dramatic and rapid changes to capitalism in the last few decades of the twentieth century. The central focus of this thesis will be on the critique of central ideas in these works.

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<sup>7</sup> For more details see Appendix A.



Holland developed over a thirty year period three left social-democratic strategies based on his theories of state capitalism relevant to the areas that I wish to address and which may be considered in some ways forerunners of social-democratic debates today on national policy and European policy in the context of global capitalism (e.g. Hirst 1999; Clift 2005; Baimbridge, Whyman and Burkitt 2007; Strange and Worth 2007). The three strategies were:

- (i) A national strategy to further economic and political reform in Britain;
- (ii) A European multilateral strategy to further economic and political reform in Europe;
- (iii) A European regional strategy to further economic and political reform in the Europe Union.

His national and European strategies outlined his routes to ‘socialism’ and democracy in advanced capitalist countries.

### *1.3 Literature Review*

Stuart Holland’s work covered a vast range of topics and disciplines; as no one particular topic merits focus over others what is presented here is a short review of some relevant literatures.



### 1.3.1 *Social Democracy*

The ‘Golden Age of Social Democracy’ (1945-1960s)<sup>8</sup> was highlighted by the social-democratic belief that capitalism could be successfully managed. This perspective reached its apogee in the Bad Godesberg Programme of the West German Social Democratic Party in 1959. In the early 1960s growing difficulties within international capitalism and developments such as multinational companies (MNCs) began to lead to questioning of this hubristic outlook (Callaghan 2000, pp. 16-20).

The 1960s onwards marked an intensification of the questioning of mainstream social democratic tenets of Keynesianism by more radical elements in social-democratic parties. This was the beginning of the period of transition in ideological outlook within social democracy and the elaboration of a variety of radical social-democratic projects. Stuart Holland’s writings manifest one trajectory in social democratic political thought and strategy which incorporated a number of different radical projects. This thesis outlines and critiques those projects from the standpoint of Marxism.

Two aspects of social democracy are of particular concern to us in this thesis: the first is the social-democratic conception of the state and the second is the spatial dimension of the strategy in the changing global political economy. As will be discussed in later chapters these two aspects are related.

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<sup>8</sup> Callaghan (2000), chap.1

By 'conceptions of the state' is meant assumptions regarding the political nature of the state and its relationship to, and potential to transform capitalism (Jessop 1982; Barrow 1993; Carnoy 1984; Burnham 2008; Wood 1983; Coates 1980; 1981 and 1982; Thompson 2002). Secondly, 'the spatial dimension of strategy' refers to the assumption (and the questioning of it) that the spatial arena of strategy is the nation state. The type of question considered here is: is the nation-state an appropriate vehicle for progressive and socialist policies? (Radice 1984; Glotz 1985; Luard 1990; Garrett and Lange 1991; Geyer 1993; Shaw 2000; Martell et al 2001; Thompson 2002; Smith 2003; Strange 2006; Capital and Class 2007).

Historically, social democracy has developed within two trends: reformism and revisionism (Tsakalotos 1991; Coates 1983).<sup>9</sup> What has united the two trends has been a commitment to the central political strategical path of utilising capitalist parliamentary democracy to introduce change. Behind this commitment has been a common shared assumption about the neutrality or "autonomy" of the bourgeois state and its potential (seen as limitless) to introduce a socialist political and economic system (Coates 1975, pp. 141-147; Jones and Keating 1985, p. 3; Pierson 1986, chap. 3; Tsakalotos 1991, chap. 1; Burnham 2008, pp. 62-3). However beyond that there have been significant differences over political and economic strategy.

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<sup>9</sup> The use of these terms is "highly ambiguous and deeply controversial" (Tsakalotos 1991, p. 6). An alternative terminology has been utilised by Martell (2001, p. 206) and McGowan (2001, p. 92ff.): they prefer the terms 'compensatory' (roughly the equivalent of revisionism) and 'countervailing' (roughly the equivalent of reformism).



In terms of political strategy, Revisionism, or right wing social democracy, accepted capitalism alongside parliamentary democracy and sought to extend social and economic reform parallel to democratic reform. Within its view, ameliorating capitalism and its consequences for the working class became its foremost concern. Left social democracy, or reformism, held that fundamental reforms (sometimes known as ‘revolutionary reforms’ (Holland, 1976a, pp. 154ff.) of the political process were possible which could enhance the democratic nature of the capitalist state and eventually transform it into a socialist state. Primary, amongst its aims, was the increased power of parliaments or assemblies over the executive. Little attention was paid to other elements of the state such as the police, army and judiciary.

In terms of economic strategy, revisionism has tended to operate within economic orthodoxies after World War II, either Keynesianism or monetarism (Tsakalotos 1991, p. 8ff.; Callaghan 1990, chap.12 and 2000, chap. 1; Wickham Jones 1996, chap. 2). The strategy promoted is capitalist economic stability combined with elements of redistribution, welfare and social reforms and when possible full employment. It has not sought to change property relations to any great degree and has preferred indirect methods of guiding the economy. Reformism has preferred to stress the “structural properties” of the existing economic system which has informed its analysis of what changes need to be made to the economic system to enable the attainment of socialist goals (Tsakalotos 1991, p. 26). This has usually entailed attacks on the maldistribution of resources and power within capitalism which inhibit the operations of the market and inhibit policies of equity and redistribution. The state plays a critical role in reformist economic

strategies as it is considered to be the power which can counterbalance the awesome powers of private capital.

### 1.3.2 *International Political Economy*

The academic discipline within which we make our evaluation of Holland's ideas is International Political Economy (IPE), particularly Marxist and critical IPE which I term radical international political economy.<sup>10</sup> IPE was selected as the framework within which to evaluate Holland's ideas due to its focus on the world economy and the role of political and economic institutions. However, IPE is dependent on the cognate fields of International Relations, Comparative Political Economy, Economics and Sociology<sup>11</sup> to supply relevant and associated material for its analysis; this thesis too will have to refer, at times, to material and research outside of the field of IPE.

Thus IPE is not a unified discipline, and different approaches have different conceptions of, and the methods used to understand, what should be its subject matter (See Higgott 1994; Murphy and Tooze 1991; Strange 1994; Hettne 1995). Some have held the basic unit of analysis to be the state; others have held the basic unit of analysis to be the individual in the market place; yet others have held it to be production and class (Gill and Law, 1988, p. 7). It is a field of study which has undergone a relatively recent revival (Cohen and Lipson, 1999, p. 1; Gill and Law 1988, p. 7ff.). Mainstream IPE is a product of both international

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<sup>10</sup> By 'critical IPE' I refer to those perspectives in the discipline which are linked with Gramsci and Marxism. See: below and Underhill (2000); Hettne (1995).

<sup>11</sup> On this see Gilpin (1987); Underhill (2000).



relations and neoclassical international economics<sup>12</sup> and rests on “two foundational assumptions” as to the nature of its politics and economics:

1. The world economy is witnessing the mutually beneficial integration of national markets;
2. World politics is intrinsically state-centric and anarchical.

There are, in other words, two contradictory processes at work: integration in economic terms and conflictual (or *disintegrative*) in political terms. This tension is expressed in the state versus market framework of mainstream IPE (Langley 2000, p. 463; see also Underhill 2000, p. 818; Burnham 1995b). In this perspective the state and market each have their own separate rules and their own logics (Gilpin 1987, p. 26-27). This tension can lead states into two paths: either (a) economic and political competition and international conflict; or (b) attempts to manage the anarchy in the world of states through institutions, negotiation and bargaining. These two paths are captured in the two dominant approaches of mainstream IPE: realism and neoliberal institutionalism.

Realism or neo-realism<sup>13</sup>, whilst recognizing actors apart from states (Hettne 1995, p. 9), prioritises the political over the economic, it recognises “the central role of the state, security, and power in international affairs” (Gilpin 2001, p. 15). Realism is eclectic in the choice of subject matter upon which it can draw and in methods. In other words it will use a combination of rationalist individualist methodology in economic affairs alongside institutionalist explanations in

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<sup>12</sup> IPE's origins are debated: see Underhill (2000).

<sup>13</sup> Gilpin (2001), p. 16: Gilpin makes the distinction between state-centric and system-centric realism. These differences are not material here.

political affairs (Gilpin 2001, p. 31 and p. 41ff.). It has, therefore, no comprehensive theory through which to explain social phenomena. In its methodology, realism prioritises politics generally, and specifically the role of the state.

Neoliberal institutionalism holds that market economies are best left to freely operate and that if they do welfare will be maximized and increasing economic exchange will result. However, just as domestic economies require basic rules and regulations to prevent market abuse so does the international economy. Governments can overcome the anarchy of international relations by establishing international rules and regulations, referred to in the literature as “international regimes” to enable the smooth operation of the global economy and to prevent undue harmful economic manipulation by any state participant (Frieden and Lake, 1995, p. 11). Management of the economy can enable the increasing peaceful economic cooperation of states. Thus states are just one actor in the international political economy: they act alongside international institutions, and transnational economic forces in furthering deepening economic exchange and interdependence (Keohane, 1989, pp. 7-9).

A more recent strand of IPE has been that of constructivism. ‘Constructivism’ is a term used by mainstream exponents of IPE to cover a broad range of perspectives ranging from the neo-Weberian to the neo-Gramscian. It is under this rubric that critical IPE is frequently situated (Gilpin 2001, p. 19). This perspective, often reliant on sociological approaches, stresses the role of ideas, social structures and human agency in the ‘social construction’ of reality. The



role of ideas, social structures and human agency is important in political affairs. Writers, such as Friedrich Kratochwil and John Ruggie emphasise the importance of “intersubjective meanings” of international institutional activity. In their view, it is as important to understand how “people think about institutional norms and rules, and the discourse they engage in evaluating the significance of norms as measuring the behaviour that changes in response to their invocation” (Keohane, 1989, pp. 160-161). However, as is explained below, the question of the relationship of ideas to the material world must be asked and the answer depends on one’s perspective. The position of this author is that if we are to hold consistent materialist beliefs on ideas then we must search for their origins in the material social/political context of their development. It is this context which ultimately governs their development.<sup>14</sup>

IPE, originally an American discipline, has had an odd relationship with Marxism. Murphy and Tooze have explained this relationship of ‘misunderstanding’ as the result of the exclusive commitment to the methodological individualist outlook of much of mainstream or ‘orthodox’ IPE (as they term it) which denies the validity of heterodox ‘contextually bound explanations as well as explanations in terms of concrete wholes’ (Murphy and Tooze, 1991, p. 19). This commitment leads in turn to the inability to distinguish different positions among the many radical, nonorthodox positions.

In the 1970s, in many IPE texts, Marxism was associated with world systems theory and used to highlight the relationship between the advanced capitalist

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<sup>14</sup> Marx and Engels develop this position in their key text ‘The German Ideology’ (1976)

countries and the 'Third World' rather than the relations between advanced capitalist states. In the 1980s it became associated with the 'new' historical materialism and the formation of transnational blocs around neoliberalism. In the 1990s, for some, Marxism had disappeared altogether as a relevant perspective (Gilpin 2001); along with imperialism (Becker and Sklar 1987). In the first decade of this century it has regained some prominence with the discussion of the theory of imperialism.<sup>15</sup> It has never gained the recognition, from many exponents of the discipline, as a theory which can be applied to all elements and aspects of the global political economy. As Hazel Smith has pointed out, in her observation of Marxism within International Relations, it has been regarded as 'at the margins' (Smith 1994, p. 144).

Over the past forty years, or so, these perspectives have tended to have as the centre of their attention the growing awareness of the interdependence and integration of the international economy (Underhill, 2000). This thesis, in some ways, challenges that focus, arguing that the world economy is not only made up of the forces of interdependence and integration but also of the tendency towards conflict and disintegration. Imperialism displays centripetal and centrifugal characteristics (Carchedi 2001; Cypher 1992; Nabudere 1977; Mandel 1985). Also, the state plays a more crucial role in my analysis of the world economy than it does in many of those conducted in IPE.<sup>16</sup> Very often, it is International

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<sup>15</sup> In the 1990s the concept was maintained by a few e.g. Chilcote (2000), Callinicos et al (1994). For the revival in the new millennium see: Mark Rupert and Hazel Smith eds. (2002) and Albo (2004). Also articles in *Historical Materialism* (2006) and *Review of Radical Political Economics* 38, p.1, Winter, 2006; the article by Barrow (2005) and the book by Petras and Veltmeyer (2001).

<sup>16</sup> From a brief discussion of the understanding of the state's role in IPE, see Underhill (2000, p. 820-4).



Relations which can capture the political, conflictual role of capitalist state's rivalries more than IPE.<sup>17</sup>

This thesis takes some of the enquiries and research studies made in IPE, along with their values, and reutilises them within a Marxist theoretical approach to aid in the analysis of Stuart Holland's theories. These studies have been made on the basis of various outlooks and no necessary preference will be given to Marxist approaches. This thesis has made no new empirical studies; it relies on theoretical and empirical studies already made within IPE, especially critical IPE, and other areas to comment upon Holland's arguments and assertions.

Where IPE has no comment to make on Holland's ideas I have had to refer to studies in other fields. So, for instance, in examining Holland's ideas on Europe I have had to refer to European studies; to examine his ideas on the state I have had to resort to political theory and to examine his ideas on monopoly and monopoly capitalism I have had to refer to economics

Marxism is the theoretical standpoint chosen from which to criticise and evaluate Holland's thinking on the strategies indicated above.<sup>18</sup> The reason for the adoption of this standpoint is: contrary to liberalism, realism, or constructivism within the discipline of international political economy Marxism offers an

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<sup>17</sup> One view of the challenge to the state's role in IPE can be found in Susan Strange (1996). An example of the state and its conflictual role in Realism: see Gilpin (2001) and in International Relations can be found in John J. Mearsheimer (2002).

<sup>18</sup> For a discussion on the relevance of Marxism to contemporary international relations and international political economy see M. Cox (2002), Burnham (1995).

historical materialist understanding of contemporary capitalism.<sup>19</sup> As Rupert and Smith point out Marxism is a ‘rich, complex and contradictory’ tradition and there are many understandings of Marxist theory. Therefore it is necessary that the approach to the theory taken in this thesis be explained to avoid confusion (Rupert and Smith 2002, p. 12).

‘Historical materialist’ is taken to mean the understanding of the phenomena of our age within a framework of the development of production and its property relations within a global context (Burnham 1995). These property relations arising out of the production and reproduction of life form the bedrock of the class relations which underpin the emergence, development and dominance of institutions and ideas in society and the challenges to them. Thus the Marxist method for the understanding of the political and ideological struggles in the contemporary era seeks to understand those ideas within a historical, class context.<sup>20</sup> It makes no a priori assumptions about the actions, ideas, motivations or expectations that individuals or collectivities have or must acquire other than that they must produce and reproduce their social conditions of life first and foremost. It seeks to discover an understanding about the behaviour and ideas that individuals and collectivists hold through historical enquiry within a materialist framework and builds theories about economic processes, political systems, ideological outlooks and international relations based upon that enquiry (Rupert and Smith 2002, pp. 1-13).

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<sup>19</sup> There has been a recent revival of interest in historical materialism within IPE. See the collection of articles in Rupert and Smith (2002).

<sup>20</sup> This is the method adopted in this thesis. Class analysis is applied in an historical context. See methodology section.



Likewise Marxism seeks to understand the institutions that give structure to political and economic life within the context of class analysis. Contrary to much globalisation theory Marxism does not perceive capitalist structures as homogeneous and integrative. Capitalist political, economic and social structures are dynamic not static, fractured and not uniform, both integrative and disintegrative, and combine stability with conflict; this drives the dynamic for social, political, economic and ideological change. It is this material conflict which generates the battle of ideas. As structures are dynamically divided and conflict-ridden a result is that ideas give expression to the different interests of these social and economic divisions. The dynamic social structural process produces different agencies; and varied agencies are generated by social structural division. Of course, capitalist institutions and policies are formed to try to give stability to the system and to seek to integrate them around various banners; foremost among these is the state. But all institutions arise, become dominant, change and decline over time. The problem is to explain this change.

Marxism provides a materialist analysis for understanding this change.<sup>21</sup> Rather than limiting the analysis of change to the influence of ideas alone it seeks to explain the dynamic behind the change of ideas which influence institutions. To do this it must investigate the material, i.e. the social class context, in which those institutions and ideas arise. Historical materialism is the method used by Marxists to unveil that dynamic and consequently throw light on institutional change. To be clear here, I do not understand 'class' as only applying to economic relations. Social class is founded upon socio-economic relations but it influences spheres of

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<sup>21</sup> On this I disagree with P. G. Cerny's (1990) assertion that within Marxism there is a failure to explain conceptually how structures (specifically state structures) themselves 'originate, change, work, and reproduce themselves (p.15).' In contrast see Burnham (1995).

life beyond those relations. In other words, class affects approaches to politics, society and institutions. Class is based on structural social relations but each class forms its own culture and identity which is expressed in politics, parties, etc. It is the object of historical materialism to try to illuminate those relationships and to penetrate the curtain of ideas to reveal the social class influence at work behind the scenes.

Thus Marxism provides a guide to a materialist (in the epistemological sense) understanding of the world in which we live. It can provide no substitute for the historical study for those relations as they develop. In turn those social relations which form the objects of Marxist study must be kept under constant scrutiny to avoid lapsing into dogmatic adherence to notions no longer sustainable by those relations.

This outlook sets Marxism out from other perspectives within IPE. Whereas realism might start with the state as a first principle of understanding and then proceed with its analysis of the global political economy from that position Marxism would first seek to establish how that state arose and why it took the specific form it did in the context of social relations of production (Burnham 1995; Clarke 1977; Holloway and Picciotto 1977). Likewise, liberalism might proceed from the position that the state obstructs, and the market frees, the economic potentialities of peoples and individuals and upon that premise analyse the workings of the global political economy as the conflict between state and markets whereas Marxism would seek to develop an historical materialist of the



relationship of the one to the other in the processes of economic and social reproduction.

Lastly constructivism, which focuses on ideas as the centrepiece of its analysis would lapse into idealism (in the philosophical sense) from the Marxist point of view if it did not then go on to analyse the development of those ideas within the historical struggles which result from the conflict of classes in the reproduction of social relations. Thus Marxism has been chosen over other perspectives in IPE due to its historical materialist understanding which in turn makes it a reflexive philosophy. In other words, it can understand the origins of its own development and rejects the adoption of some abstract principle upon which to frame its analysis of the global political economy other than the fundamental premise that all human beings must enter into social relations to produce and reproduce their existence before they can do anything else and this in turn makes them subject, no matter what they think, to the necessity of this process.

This perspective on historical materialism will be readily distinguished by some from that of the 'new' historical materialism presented by some writers. The new historical materialism associated with the neo-Gramscians has been considered by some as a close relative of constructivism. This is due to the fact that whilst it recognises class struggles as a motor of political developments it rejects both the laws of capitalist accumulation and the materialist conception of the origin of ideas (Bieler and Morton 2003). Ideational and institutional development is conceived as operating within their own dynamic and not subject to the material contexts to which they operate, thus ideas become the building frameworks for

social blocs and the inspirers of social movements (See Gill and Law 1988. p. 64). Whilst recognising the importance of ideas in motivating humans in their social movements; the dominance of certain ideas over others, the selection of ideas from a range of ideas, and the origins of ideas need to be explained somehow. This is where both constructivism and neo-Gramscianism are weak; i.e. relating ideas to the social context in which they are generated, and which structures their development.<sup>22</sup>

#### 1.4 *Research Aims*

The overarching research aim of this thesis is to submit Holland's theories of capitalism which were expressed in his political economies and strategies to a critique from a consistent Marxist analysis. Holland maintained in his earlier writings that he was arguing for socialism. He was a left social democrat. He was a member of the New Left (Wickham-Jones 2004). He used, occasionally, Marxist terminology and utilised concepts that had Marxist connotations. He, at times, held identical opinions and views with those who considered themselves Marxist (e.g. Barratt Brown). He has been considered as a Marxist interpreter of European integration both by Rosamond (2000) and Moschonas (1996). So an essential starting point of the thesis was to make some judgement as to what degree his understanding of global capitalism and his consequent strategies were consistent, or at odds, with Marxist principles of analysis, or more plainly, with

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<sup>22</sup> Expanded treatment of these arguments can be found in Wood (1986).



the theories of historical materialism, as these were the basis of the critical standpoint. In particular, from the Marxist standpoint, two questions were asked:

(a) In what ways did Holland's theories of the changes in the political economy of capitalism, specifically, in relation to the British political economy and the European political economy, differ from a Marxist analysis (Holland 1976a, 1980, 1983 and 1993a)?

(b) Related to the above, to what degree are the various strategies he promotes a break with capitalism?

This generated a large number of hypotheses regarding Holland's political economy. The principal hypotheses of the thesis are summarised below. The first and foremost task was to establish an understanding of the principles and the theoretical underpinnings of Holland's analyses, this led to:

*Hypothesis (i):* that the central theoretical propositions and arguments of Holland on monopoly capitalism and the state originated in non-Marxist and non-class perspectives.

This first hypothesis had subsequent effects on related hypotheses and corollaries. The four principal hypotheses and corollaries are presented below.<sup>23</sup>

It is from these principal hypotheses that the subsequent divergent analyses between myself and Holland follow:

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<sup>23</sup> It is necessary to provide both the author's hypotheses and Holland's in order to illustrate the critique.

In relation to monopoly capitalism:

*Holland's Hypothesis (ii):* Holland maintains that the driving forces within the system derive from the maldistribution of resources based on institutional factors.

*Author's Hypothesis (ii):* the primary driving force within capitalism and the central cause of its problems is the accumulation of capital through the exploitation of labour which is inherent to the system and structures its political and economic relations.

In relation to the state:

*Holland's Hypothesis (iii):* Holland's proposition is that the state is a neutral state.

*Author's Hypothesis (iii):* that the state is an expression of class relations, the primary feature of which are imperialist class relations.

In relation to reform of capitalism, the above proposition on the state entails:

*Holland's Corollary (i) of H (iii):* there are no limits on the powers of the state in relation to monopoly capitalism. It is possible to manage the multinational system of capitalism and to curb the power of the multinationals and thus introduce political and economic reforms which will subordinate the capitalist system to social rather than profit criteria.

*Author's Corollary (i) of H (iii):* that the state is limited in what it can achieve in relation to reforming monopoly capitalism.

In relation to the character of global capitalism:



*Holland's Hypothesis (iv)*: Capitalism has entered what he describes as a 'new mode of production' namely, the multinational stage of production. Capitalism's character is one of rivalries between either multinational monopolies or between multinational monopolies and nation states.

*Author's Hypothesis (iv)*: Global capitalism's character is that of a system structured by inter-imperialist state rivalries.

In relation to the relationship between states and MNCs:

*Holland's Corollary (i) of H(iv)*: The state and MNC are independent variables. The state is ambivalent on MNC interests.

*Author's Corollary (i) of H(iv)*: the relationship between states and MNCs is one of unity and contradiction. The MNC requires a state but also operates beyond it. The imperialist state expresses MNC class interests.

These hypotheses set out the increasing divergent paths of analysis of both global capitalism and the suitable strategies for socialism. It is these divergent paths that form the content of this thesis and inform its conclusions.

### *1.5 The Argument in Brief*

Holland, sometimes, utilised Marxist and socialist influences for both his theories of political economy and strategies. However, it is demonstrated that he did not apply classical Marxism propositions of economic and political analysis in his theories consistently (e.g. labour exploitation, surplus value, class struggle). The result is that Holland is eclectic or pluralist in his analytical theories, and

inconsistent in his analyses. Its repercussions are that he fails to engage with a consistent class approach to the state, to monopoly capitalism, to the British political economy or to the European political economy. One of the major flaws in his perspective is that capitalism has entered a 'new mode of production' in which the struggle of multinationals against states predominates. Instead of viewing them as an integrated whole, a contradictory unity, he perceives them as two independent forces. This position leads him to reject the alternative perspective of capitalism as a system of inter-imperialist rivalries. His under-theorisation of the state within monopoly capitalism results in an over-estimation of its capacities in relation to the system. Out of the totality of the capitalist system, in his earlier theory he selectively identifies MNCs as the central obstacle in the way of states managing capitalism. This results in him advocating a strengthening of the capitalist state so that it can be used against MNCs. He visualises it too as an instrument in the 'transformation' of monopoly capitalism.

Holland develops his political economies and strategies in three phases: which I term the national, the 'European multilateral or international' and the 'European regional'. Each of these is criticised in turn in the thesis. At first, Holland considers that national measures of state capitalism can manage the 'multinational threat'. However, after reverses for such measures Holland seeks new political arenas for his policies.<sup>24</sup> This stance leads him to develop political economies and strategies that seek to establish the possibilities of a 'supranational' strategy. Holland's final political destination is support for

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<sup>24</sup> The failure of the Labour to be elected in 1979; the failure of the Mitterrand government in France to implement the 'Common Programme' in the early 1980s.



building the European Union as political community with the resources to manage capitalism.

The central element of the critique is that Holland, as a thinker who declared his goal 'socialism', neglects a Marxist class analysis of monopoly capitalism and the state which has serious analytical and political consequences. Prime amongst these is the failure to recognise the capitalist system as imperialist. It is argued, contrary to Holland, that the capitalist state is locked into the social relations of imperialism through national and global production and market relations. This class basis of the state means that it is limited in relation to what it can do in reforming capitalism. It is argued that Holland's state capitalist policies far from being a means towards socialism are in fact, a means of supporting imperialism. Holland's analysis of the processes at work in the political economies of Britain and Europe is also flawed. Holland interprets the conflicts of the European integration process as emerging out of either multinational monopolies' conflict with states and their influence over the supranational authority (the European Commission) or the failings of institutional relations, rather than emerging out of the conflicts generated by the capitalist accumulation process and the capitalist rivalries it spawns. Lastly, in his analysis of the European Union Holland misconceives it as an instrument for progressive economic policies in place of the nation state and does not recognise the EU as a new form of imperialism, namely, bloc imperialism. In his final political-economic analysis he dismisses the nation-state as an arena for the struggle for socialism.

1.6 *The Analytical Framework*

Table 1 (below) presents the analytical framework of the thesis. The framework is divided into two main sections horizontally. Section A presents the analysis of Holland’s strategy by dimension or variable. Section B represents the critique organised by dimension. It will be noted in Section B, that I use a separate dimension for imperialism: in order to criticise Holland I have to integrate various theories of imperialism (i.e. national imperialism, emergent bloc imperialism, bloc imperialism). This, as far as the author is aware, is an original aspect of this thesis.

The framework is divided into three main columns; each column represents a separate phase in Holland’s respective political economy and strategy. Column 1 represents Holland’s political economy and national strategy of the mid-1970s. Column 2 represents the political economy and European multilateral strategy of the early 1980s. Column 3 represents the political economy and European regional strategy of the early 1990s. Section A of the framework is divided by row into eight dimensions. The first row outlines Holland’s principal theoretical approaches. The second row is the main texts I use to summarise Holland’s political economies and strategies. The third presents the principal context of Holland’s writings. The fourth row represents the major obstacles to his policies identified by Holland. The fifth row represents the central focus of Holland’s political-economic analysis at each stage in his theory. The sixth row is the strategy objectives. The seventh row represents the key economic policies of his



Table 1: Framework of Analysis of Holland's Political Economy and Strategies				
		Column 1	Column 2	Column 3
		Chap. 3: Political Economy and National strategy Mid 1970s	Chap. 4: Political Economy and European Multilateral Strategy - Early 1980s	Chap. 5: Political Economy and European Regional Strategy - Early 1990s
SECTION A: HOLLAND'S ANALYSIS	Key elements of Holland's theoretical framework	Chap. 2: Elements of Marxism and Neo-institutionalism ; Pluralist methodologies and theories ;the Relationship between monopoly capitalism and the state		
	Major texts	<i>Socialist Challenge</i> 1975	<i>Uncommon Market</i> 1980; <i>Out of Crisis</i> 1983	<i>European Imperative</i> 1993
	Principal Context of Writings	Crisis of Keynesian Social Democracy	EC Supranationalism & Crisis of national social democracy	Crisis of Unilateral and Multilateral social democracy
	Principal Obstacles to policies identified by Holland	1. New mode of production: MNC threat to Macroeconomic Policies. 2. Elements of the state	1. EC as a supranational institution; 2. MNCs	1. Global competition and global market forces 2. Disunity of European Union
	Political Economy Analysis	(i) British monopoly capitalism (ii) Nature of British political institutions	1. Nature of European integration process 2. Supranational – National conflict 3. EC neoliberal policies	1. Character of EU Political Economy 2. EU institutions. 3. EU and competition. 4. Issue of best model for EU
	Strategy objectives (i):	Progressive reform of nation-state or 'socialism'	Progressive reform of EC and Multilateral Coordination for economic growth	Progressive reform of EU; economic and social cohesion of EU
	Strategy (i): Key Policies: Economic	1. New Public Enterprises. 2. Planning Agreements. 3. National progressive competitiveness 4. Managing MNCs	1. Reflation, Restructuring, Redistribution Policies. 2. Co-ordinated international progressive competitiveness 3. Managing international capitalist competition.	1. Cohesion policies 2. European progressive competitiveness; flexibility 3. EMU 4. Managing European capitalism
SECTION B: CRITIQUE OF HOLLAND	Strategy (ii): Key Policies: Political	1. Reform of Parliament 2. Role of Labour Party	1. Reform of EC 2. Coordinated nation state policies.	1. National state has no power-EU does 2. EU Assembly: more powers
	Key elements of author's theoretical framework	Chap. 2: Theoretical premises: Historical materialism: Class analysis: Relationship between imperialism and the state		
	Key Issues identified by thesis author	1. Does State power reside in the nation state? 2. Is a national strategy of managing MNCs viable and is it socialist? 3. Problems of conflict between profit criteria and social criteria of Holland 's proposals 4. Limits of State capitalism under capitalism 5. MNCs relation with the state	1. Problems of State power in the process of European integration. 2. Is co-ordinated international management of capitalism viable and is it socialist? 3. Problems of co-ordination of imperialist powers behind social-democratic strategy; 4. MNCs work at two levels: the national and the supranational.	1. 'State' power in the EU; Holland dismisses nation state power. 2. Management of European capitalism viable and is it socialist? 3. Problems of political and social cohesion in the new European bloc. 4. Consequences for national social democracy
	Central issue: state power and Socialist Strategy	1. State power based on nation state	1. Nation state power has to be co-ordinated	1. Problems of locus of state power.
	Imperialism: the framework used as basis of critique of Holland	1. Holland does not acknowledge the nature of British imperialism. 2. Fails to recognise imperialist nature of British State 3. The State and MNCs in unity and contradiction	1. EC as an amalgam or bloc of national imperialist powers 2. Trend towards both unity and rivalry between national imperialisms 3. MNCs operate at two levels: national; regional.	1. Bloc theory of imperialism. 2. EU as a bloc of imperialist powers. Contradictions in unity of states 3. Global struggle between blocs of imperialist powers.

strategies. The eighth represents the key political policies Holland advocated in each strategy.



Section B: represents the elements of the critique. This again is divided into three columns, each representing the criticisms corresponding to Holland's strategies. The section is divided into four rows. The first row represents my theoretical premises. The second row represents the key issues identified by myself. The third row is devoted to the question of where state power is located in the respective strategies. The fourth row relates to the concept of imperialism used as the basis of the critique of Holland's strategies. So the concept of British imperialism informs the first column; the view of Europe as an "emergent bloc imperialism" the second column and the representation of the European Union (EU) as "bloc imperialism" the third column.

To criticise Holland's political economy I have had to set out my own thoughts on the subject. The premises that I start from, as will become clear in thesis, are very different to Holland's. It has been necessary to develop a synthesis of current thinking on national, regional and global imperialism in the context of nation states, development of international or global organisations, regimes, multilateralism and multinational or transnational businesses.<sup>25</sup> The scope of such a task is enormous; this thesis is but a small contribution to developing that line of research. I criticise Holland from the standpoint that he fails to recognise imperialism in the national, regional and global political economies. This point of view makes it necessary for me to set out alternative political theories on monopoly capitalism and the state, on the imperialist nature of British capitalism, on the imperialist nature of the European integration process, and the formation

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<sup>25</sup> In this thesis the term 'multinational monopolies' is used. Although imprecise, it is the term Holland used and so for the sake of convenience I have had to adopt the same terminology.



of a European bloc of imperialist states that has now become the EU. It may seem as if I am taking a detour from my subject at times but I am seeking to substantiate my critique of Holland based on fundamentally opposite principles. I believe this dual method of critique, of analysis and synthesis, of a social-democratic thinker, on the basis of emerging bloc imperialism, is unique. This method of critique is set out in my framework of analysis (Table 1).

The table, therefore, summarises the debate between Stuart Holland and myself about both how to characterise changes in global capitalism and the strategies that derive from that analysis. Thus, for example, in column 1, section B, in the row: key issues identified by thesis author I summarise the main points of my criticism, these are: the question of whether state power resides in the nation state, whether a national strategy of managing MNCs is viable as a socialist strategy, the problems of the economic criteria of Holland's proposals and last the issue of the limits of state capitalism under capitalism.

### *1.7 Evaluation, Methodology and Sources*

This is an evaluative thesis which abstracts Holland's core principles, analyses and prescriptions and subjects them to theoretical interrogation and evaluation from the standpoint of Marxist theory. The exegesis is essentially based on texts that are considered to be the most representative and the foremost expression of those ideas. The texts were chosen on the grounds of their comprehensiveness, their relevance, and their sustained argument. The exegesis relates the core

analyses and strategies to the historical and political context in which they were written and a commentary is made upon them with reference to other studies (particularly critical or Marxist where available), both contemporaneous and of a later date, which can illuminate and appraise Holland's ideas. This method provides both a critique of Holland's ideas and illustrates an alternative explanation of the phenomena he interpreted. It highlights the selection of premises made in Holland's arguments and their limitations and strengths in relation to Marxist theory.<sup>26</sup>

The selection of the material used in the evaluation and drawn primarily from IPE is taken from a wide variety of sources and political opinions. The criterion of selection has not been how Marxist the writers were or are. Rather they have been chosen to help open up questions about Holland's assumptions, propositions and theories and so highlight inadequacies and strengths in his analysis.

The key criteria used to evaluate Holland's ideas will be those of 'understanding, explanatory power and intellectual coherence' from the standpoint of Marxism.<sup>27</sup>

These criteria are related to: (i) the understanding of contemporary capitalism and its trends and its modes of political interaction; and (2) the strategies of state capitalism that are formulated as a result of that analysis. By understanding and explanatory power I refer to how well the theories of Holland explain the object of their focus compared with those of Marxism. This in turn is related to intellectual coherence: to what degree do Holland's assumptions and arguments

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<sup>26</sup> The problem of using texts as sources has been pointed out by Burnham et al (2004), Chap. 7.

<sup>27</sup> Gill and Law (1988, p. 19).



remain consistent not only within his own analysis but also how can they be improved upon from a Marxist point of view.

I seek to illustrate through reference to books and articles that Holland's analyses were partial, inconsistent, and pluralist in theoretical perspectives from a Marxist point of view. Holland was both a pluralist and inconsistent in his use of theory (see Chapter Two). Generally he combined a distinctive Keynesian economic analysis (which recognised that demand management of the economy was not enough) with elements of Marxism (for instance, the use of concepts such as class and monopoly capitalism) and elements of critical Marxism, e.g. neo Gramscianism (which emphasised the independent role of ideas and ideology) and neo-institutionalism (promoting rearrangements to political and economic institutions as solutions). This melange of theory results in lacunae and inconsistencies in his analysis as he shifts from one theoretical framework to another e.g. he writes about capitalism in a Marxist way and then attributes economic slumps to Keynesian failure in demand; another example is how he highlights the 'predominant institutional form of monopoly capitalism' i.e. multinational monopolies rather than looking at the system as a whole (Coates 1980, p. 249). It is these inconsistencies which will be highlighted and alternative Marxist analyses offered as more consistent and plausible explanations of the world capitalist political economy. I illustrate also gaps, or neglect of certain phenomena or one-sidedness in his analysis. Thus in examining his analysis of the British Political Economy in chapter three I indicate his neglect of British imperialism; in his analysis of the European Community in Chapter four I point out that he neglects the possibility that the European Community might use

measures of positive integration to win support among the populations of Europe. Thus the essence of my method is to flush out the flaws or partiality of Holland's analysis, to illustrate the scope and limits of the concepts he deploys, and to criticise them from the standpoint of the totality of economic, social and political relations which constitute global capitalism today – this is the essence of historical materialist method.

As described earlier Holland's output was prolific. However much of this material was repetitive of arguments set out in key texts or minor adjustments of policy but which did not conflict in a fundamental way with the core ideas which we wish to focus on. Therefore I consider it justified to focus on those texts which give the most extensive and most comprehensive elaboration of his core ideas in relation to the underpinning of his various social-democratic projects. This criterion led to the selection of key texts, i.e. texts which marked a key turning point in his political thought and presented his arguments for such 'turns' in the most cogent, coherent and concise forms. In other words, they were considered the major works of his political theory. Reference will be made to other, shorter articles but mostly this will be for illumination only or to add detail. Thus the primary sources are Holland's texts themselves which are subject to theoretical scrutiny.

The problem with the method described is that it may give an appearance that Holland was more consistent and more straightforward in progressing from one idea to another than he was. But that is an appearance that is acceptable when the aim of the thesis is to examine and evaluate core propositions rather than to



highlight intellectual development. Nevertheless, it should be recognised that there is an 'internal logic' in the development of his ideas.

The second problem is selection and relativism. My own values necessarily influence what I consider important and unimportant, and therefore what is selected for examination. In my own defence I argue that I have tried to be as 'objective' as possible in the selection of core ideas and tried to present Holland's as forcibly, persuasively and as comprehensively as he would have himself. In fact, it is precisely on these most elaborated arguments that my attention and critique falls so that my questioning of his positions may be most clearly understood. It is another reason that I have concentrated my focus on his books rather than his journalistic articles so that the charge of misrepresentation of argument may be avoided. It is in his books that Holland sets out his core concepts most elaborately and comprehensively and one would hope most accurately and scholarly. I reiterate: what interests me in Holland's writings are his core concepts on political economy and strategy.

The sources used can be divided into two: primary and secondary. The primary source materials are the writings of Stuart Holland himself. Holland published a number of major works on the topics which form the focus of this thesis. It is in these works that he deploys his core concepts of analysis and upon that argues for his strategic prescriptions. These works clearly state Holland's position and provide extensive material for the analysis and evaluation of his public arguments. There are a number of articles in various books which supplement these major works. These provide useful summaries of his major works. Some of

these articles shed new light on an argument, especially his views on the state and his European strategy. There are also a number of position papers he wrote for various Labour Party committees. Additionally there are very brief articles Holland in various newspapers and political broadsheets. This material is often repetitive or popularising and rarely throws new light on the substantive propositions which form the core of Holland's arguments and the focus of this thesis. There are also verbatim reports of his speeches in the House of Commons in Hansard. Again these materials offer extensions of arguments made in his major works. Reference will be made, mainly, to Holland's major works which elucidate the implementation of his core concepts in the context of the strategies outlined above.

No attempt has been made to interview the subject of this thesis or to research his personal files. It has been considered that there was already enough material in the public domain to enable a thorough analysis and evaluation of Holland's core concepts in the three strategies mentioned. Moreover, it was assumed that the work in the public domain was the most scholarly of his materials and provided the most coherent arguments for his political positions. Alongside this the assumption was made that his private documents and materials in his possession were the raw material of such finished works and would not add anything substantial to the political concepts and strategies that had to be analysed and criticised. It was the formulated ideas and arguments in the public domain, not his unfinished and private musings, that interested me; it is the finished article that is subject to scrutiny.



There are some weaknesses to these assumptions. There may be in Holland personal records different perspectives and strategies that may present yet other political positions to the ones I have selected. Yet, for me, they remain irrelevant as they were not published and did not try to influence social-democrats and the general public along certain paths. They, therefore, remain insignificant in terms of strategies asserted and fought for in the daily political struggle.

This same argument underlies the reasoning as to why no interview was conducted with Stuart Holland. The texts that were in the public domain: the abundant books, journal and newspaper articles, and speeches illustrated quite amply Holland's major lines of reasoning and his arguments – and in considerable detail. There was hardly any need to supplement this through the formality of conducting an interview. Again, a nuance might have been gained from an interview but this in no way would have changed the major political concepts and beliefs that Holland had elaborated at various stages in his political thought. To stress again, it was these elaborated theories that were of interest to me and could provide a quite adequate base for my critique.

The secondary sources are the commentaries made on Holland's works and the material selected from within IPE and elsewhere to provide criticism and alternative analysis. There has been no biographical work on Holland. There has been no previous work specifically focussed on Holland's strategy in the three areas named above but there has been some minor description and comment on aspects of his strategies especially his national strategy. The sources on capitalism, the state, imperialism, European integration, European Union, social

democracy and socialism, etc. are enormous and the selection has been made on the criteria of relevance.



## Chapter Two: Monopoly Capitalism and the State

This chapter will compare and contrast Holland's model of monopoly capitalism and the state against that of a Marxist model presented here. Holland had claimed, in part, a Marxian heritage however we will seek to show that his adherence to such a heritage was superficial and that he owed more to other strands of thought than he did to Marxism.<sup>28</sup> Another purpose of the chapter is to illustrate how Holland's conceptual schema was badly flawed due to its eclecticism, incoherence and inconsistency. Holland's 'socialist' strategies rest on two foundations: one is the argument that state capitalism is a step towards socialism (Holland 1976a); the second is that the state can be utilised against multinational monopolies to curb their influence over the economy and open up the prospect of a capitalism based on competition combined with progressive policies (Holland 1976a; 1980; Laux and Molot 1988, p. 17; Tsakalotos 1991, p. 19ff.). I will discuss these claims, subject them to scrutiny and provide arguments from within Marxism to challenge them.

To assist with my critique of Holland's model and to enable comparison I present table 2 below. The table has two columns representing the Marxist model of monopoly capitalism presented in this text against Holland's model based on his writings (primarily: 1976a, 1980, 1987a and 1987b).

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<sup>28</sup> This contrasts with Wickham-Jones' estimate which claimed that Holland's theories were more grounded in Marxism. See: (1996), pp.58-59, 80.



<b>Table 2: Conceptions of Monopoly Capitalism and the State: Comparisons between a Marxist Model and Stuart Holland's Concepts</b>		
	<b>Marxist Model</b> (see text for references)	<b>Holland's model</b> (based on Holland's texts; see text for references)
<b>Theoretical Roots</b>	Marxism	Eclectic: mixture of Keynes and Marx.
<b>Overall framework of analysis</b>	Consistent historical materialism	Theoretically pluralist or eclectic and empiricist
<b>Origins of Multinational Monopolies</b>	Widespread development at a specific stage within capitalism	Primarily post WWII phenomenon Institutional causes: imperfections in market; no concept of development at a certain stage within capitalism
<b>Conception of Monopoly Capitalism-economic</b>	Monopoly capitalism emerges out of competitive capitalism; an inevitable tendency of capitalist accumulation. Capitalism is a system of labour exploitation based on private property with commodity production for market. A systemic analysis. A specific position in the global division of labour.	Primarily a theory of industrial or market structure. An institutional analysis. Monopoly capitalism described as an unjust spatial, structural and social distribution of power and resources; an inequitable system. No clear concept of its role in the global division of labour
<b>Conception of Monopoly Capitalism-political</b>	There are specific social, political and ideological consequences of imperialism's role in the global division of labour.	No linkage made with imperialism.
<b>Conception of capitalist crisis</b>	Inherent in the nature of capitalist accumulation; cannot be averted by state action	Result of unjust distribution of goods, role of underconsumption; can be overcome through state action
<b>Conception of imperialism</b>	A specific stage in the development of capitalism; MNCs are one element of imperialist relations; States enforce private property rules globally, the basis of global accumulation and circuits of capital. Competition between rival imperialisms Emergence of bloc imperialism	A conjunctural event but not immanent within capitalism; MNCs are independent dominating forces Competition between rival imperialisms replaced by competition between rival monopolies
<b>Conception of State</b>	State is an imperialist state; organised on principle of private property. Looks at totality of global social and political relations of state	2 models: State is a neutral state, defined by "social cohesion" tasks either: (early work 1976a, p.16): "spender, umpire, entrepreneur, planner"; or (later work 1980, p. 129): State power as means for mediating the problems posed by the unequal and uneven development of capitalism; role for social cohesion; State viewed from domestic social relations only.
<b>Conception of State-MNC relations</b>	State sustains MNC interests; a contradictory unity in relationship	MNCs operate above and beyond the nation-state; MNCs and state operate in separate and opposed fields
<b>Conception of socialist transformation</b>	Revolutionary restructuring of the state; revolutionary organisation and leadership	Revolutionary reforms; Parliamentary-based; Labour Party to give leadership
<b>Conception of Socialism</b>	Socialism is both economic and political: predominance of state ownership within the economy: new popular participatory state	State capitalism alongside private capitalism; reformed relations between parliament and the executive.

The rows or dimensions of analysis represent various aspects of monopoly capitalism including: the theoretical roots of the different models; the framework of analysis; the respective theories as to the origins of multinational monopolies; the essential differences in the conception of monopoly capitalism; the respective conceptions of the causes of capitalist crisis; the concept of imperialism within the two models; the concept of the state, the concept of the state-MNC



relationship; the respective notions of socialist transformation and lastly, the conceptions of socialism. The arguments that are highlighted are intended to summarise differences and not to be an exhaustive statement of difference.

## *2.1 An Outline of Some Aspects of a Marxist Model of Monopoly Capitalism*

The aim of this section is to present some aspects of a Marxist understanding of monopoly capitalism. Elements of an ‘ideal type’ or model are presented which is an abstract representation of what occurs in real life in specific, historically concrete societies. Variations of this model will occur (See Kemp 1967, p. 68). The variations will depend on the particular historical circumstances of each country. For instance, the capacity of the state to intervene in markets may depend on a variety of historical and institutional factors such as the ‘administrative structure of the state, industrial structure, and prevailing political coalitions’ (Green 1987, p. 42).

### *2.1.1 Theoretical Roots and Outlook*

The Marxist model presented here has its roots in the political and economic writings of Marx, Engels and Lenin, i.e. that Marxism that is traditionally considered “classical”. It does not consider their contribution to an understanding of our world today as exhausted or irrelevant. On the other hand, it does not uphold their ideas dogmatically but seeks to apply the guiding conception of the tradition namely, historical materialism, to contemporary international political

economy (Rupert and Smith 2002).<sup>29</sup> The new concepts that the following Marxist model emphasises that distinguish it from previous contributions are threefold:

(a) Its emphasis on the contradictory relationship between the state and MNCs; that is the state is not fused with specific MNCs nor are MNCs 'footloose' from the state in the sense of being above adherence to a state or a bloc of states. By 'contradictory' is meant that MNCs operate across states and can operate against the interest of their home state, at times, but that all MNCs require a domicile state or bloc of states<sup>30</sup> to provide the political 'muscle' to uphold their property relations. Thus MNCs work with and through states to gain political-economic objectives but may on occasion have need to advance their own particular interests and act against their domicile state (Gilpin 1975). MNCs are not 'footloose' but neither are they fused with the nation-state; their relationships with the state are contradictory (Radice 1975a).<sup>31</sup> This contradictory relationship becomes the point of dispute within radical international political economy between those who, on the one hand, view the multinationals as an independent power within the global political economy (e.g. Stopford, Strange and Henley 1991; Susan Strange 1996, Holland 1976a and 1980) and those who consider MNCs fused with the interests of the nation state (Bukharin 1975; Kirsanov 1975; Moschonas 1996, p. 20; see McKinlay and Little 1986, p. 127).

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<sup>29</sup> My conception of historical materialism has been discussed in Chapter One.

<sup>30</sup> Home state' is defined later on the chapter; MNCs may not adhere to a nation-state but to a bloc of states as in the case of the EC/ EU.

<sup>31</sup> This concept is developed in more detail in chapters three and four.



(b) It argues that the foundation of global capitalism, or imperialism, is the imposition of a private property regime globally (Lipson 1985). Circuits of capital, the accumulation of capital, the agglomeration of capital, the exchange of values, etc. all depend on this fundamental premise; all resources, all labour, all goods must be alienable and in the form of private, alienable property. This is a premise which is founded over a long period of time and with the use of force, i.e. the state. It is this foundation which becomes the basis of imperialism and structures the global struggle between classes and states which seek to uphold the prevalence of the private property relations and rules over other principles of the organisation and distribution of property and those classes and states which seek to subordinate private property to social or other forms of property (Lipson 1985).

(c) Its use of the theory of bloc imperialism to explain some of the prominent features of today's IPE, specifically, the tendency towards regionalism amongst advanced capitalist countries and the development of 'supranational' institutions above and beyond the nation-state. In other words, it does not hold to the thesis that imperialism is inevitably tied to the nation-state in a fusion between state and monopolies (Bukharin 1975; Kirsanov 1975; Moschonas 1996, p. 20; Callinicos et al 1994, p.16). On the other hand, it rejects that a transnationalism or interpenetration of capitals has occurred to the degree that a national imperialism and its state is no longer of significance (Radice 1971 and 1984; Bieler and Morton 2001, Van Apeldoorn 2002). Its position is that in Europe, specifically, a 'bloc' imperialism has formed which combines both aspects of national

imperialism and a new 'European imperialism' - a hybrid form (Holloway 1976; Cypher 1992; Moschonas 1996, p. 21; Carchedi 2001).

### *2.1.2 Marxist Theory of Monopoly Capitalism*

Marxist political economy makes production, not exchange or the market, the central focus of its analysis of capitalism. Marx placed economic exploitation at the heart of his political economy. It was the social relationship between labour and capital that structured the rest of the system. Marx maintained that despite the formal equality of the wage contract between employer and employee the real relationship was one of exploitation. The economic exploitation arose out of the fact that the labour power of the labourers created more in value than they received in wages. This in turn resulted in a surplus value out of which payments in the form of rent, profits and interest were paid. In other words, the structure of advanced capitalist society and the distribution of revenues within it were dependent on the exploitation of the working class. This exploitation of the working class could never cease until the system of exploitation, dependent on the private ownership of the means of production and the expropriation of surplus labour was abolished (See: Marx 1996; Tom Burden and Mike Campbell 1985, pp. 3-8; Campbell 1981, pp. 32-49)

The creation of ever new and enlarged amounts of surplus value is the aim of capitalist production. The spontaneous process of appropriation of surplus value by the capitalists cannot stand still. The capitalist, due to the growth in scale of the productive forces and competition of other capitalists, must accumulate



capital on a continuous and enlarged basis to avoid stagnation, loss of markets and loss of profit (Magdoff 1976, p. 222).

As capitalism develops its expansive form so it extends its operations (in all forms abroad). Increasingly there is the transnational migration of capital of which multinational monopolies are but one form. The state's activities became increasingly implicated in this migration. All property globally, whether state, clan or familial has to be turned into private property; property that is alienable and which can be appropriated (Lipson 1985, p. 20). The global circuits of capital rest on this initial premise that all property be first made into private, alienable property. If there is resistance then force is used (Lipson 1985 *passim*). Once that is achieved, capital can accumulate in the hands of the propertied and wealthy through exchange. The capitalist state participates in enforcing a private property regime across the globe; in which wealth dominates; and public purposes of property are either made subordinated or denied (Lipson 1985, p. 20). The state stands guard over private property regimes domestically and globally (Lipson 1985).

Over time, on the basis of private property rules, a characteristic form of large-scale capitalist enterprise developed, 'the giant firm in the world market' whose aim was 'always toward the expansion of control over production and marketing on a global scale' (Magdoff 1976, pp. 201-203). These firms have a tendency towards domination of the market either individually or through cartels or alliances (Dunning 1992; Hardach, Karras, and Fine, 1978), hence the term 'monopoly capitalism', despite the existence of what in conventional economics

are called oligopolies. Two tendencies coexist: the drive towards domination and the drive towards competition.<sup>32</sup> Alongside this developed ‘the imperialism’ of states each guarding their respective capitals and their claims (Lipson 1985; Lenin 1964a).

### 2.1.3 *The Marxist Theory of the Multinational Monopoly Firm*

It is out of this accumulation process that monopoly (or oligopoly) capitalism arises (Magdoff 1976, pp. 222 ff.). A process of concentration and centralisation of capital and production takes place. Concentration is the increased quantity of capital under the control of the capitalist, enabling expansion of production on an increased scale which enables the elimination of rivals. In the struggle between capitals, the larger capitals develop advantages, known in conventional economics as ‘economies of scale’ (Hymer 1975, pp. 43-47; Hardach et al 1978, p. 22). The larger accumulation of surplus by some allows increased application of scientific and technological improvements, access to greater finance, ability to lower costs and weather the problems of economic crisis. A few firms (oligopoly) or one large firm (monopoly) begin to dominate the key sectors in the spheres of production, finance, distribution and exchange. However, although competition between these monopolies is suppressed it is not overcome and new entrants can establish themselves (if they can agglomerate the financial resources to enable competition against existing firms in a sector) (Kemp 1967; Hardach et al 1978, pp. 22-24). It should be remembered here that my definition is an unconventional

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<sup>32</sup> One of the features of the current capitalist state is that it has to guard against one section of capital becoming too powerful in the market. Cini and McGowan (1998, p.3) have quoted Doern and Wilks as follows: ‘Neither competition nor market is inevitable or natural. Markets have to be created through processes of social change and public regulation’.



one and that in my conception monopoly does not exclude competition. Monopoly and competition are not opposites within the frame of my definition (See: John Weeks 1981, Chap. 6; Bryan 1985). In conventional terms I am referring to oligopolies.<sup>33</sup>

Centralisation is the combination (takeover, merger) of capitals or in other words, a change of the distribution of capitals among capitalists. This combination is facilitated by the credit system i.e. the banks, investment houses, security, and the stock markets, etc. (Hardach et al 1978, p. 22; Nabudere 1979, p. 23; Kemp 1967, p. 70; Green 1987, pp. 31-32). As the scale of capital grows so the financial and monetary needs of it become greater. Increasingly the banks and the financial firms have to merge to provide the financial and monetary conditions capital requires for its expanded reproduction. This sector too becomes dominated by monopolies or oligopolies which increasingly becomes connected or integrated with the industrial firms they fund and whose shares they purchase (Hilferding 1981; Born 1983, Chap. 6). Industrial firms too take on financial aspects as they increasingly rely on financial reserves to fund their operations and to fight off or purchase their rivals (Green 1987, p. 29). Finance capital, under the control of a financial oligarchy, emerges, inevitably, as the dominant form of capital; the financial powers of different firms and sectors being in constant flux and leading to struggles to obtain political influence and assistance to beat off rivals

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<sup>33</sup> From now on the term 'monopolies' is preferred. Monopoly is used in this text as a contrast to the 'free competition' characteristic of early nineteenth century capitalism. It is used in the sense that Lenin used it as 'a generic term which includes trusts, cartels, combines, syndicates and big business generally' and now includes MNCs. See: Kemp (1967), p. 68.

domestically and internationally (Nabudere 1979, pp. 47ff.; Parboni 1981, Preface, esp. pp. 19-23; Helleiner 1994, Chap. 7).<sup>34</sup>

The organisation of the monopolies changed under the influence of historical circumstances; in the 1930s they took the form of national and international cartels and trusts and since 1945 they have increasingly taken the form of international monopolies or what is called in popular texts multinational or transnational companies (Cassis 1997: Apter 1976; Magdoff 1976, p. 206-7). As Nabudere has written:

In our view a proper understanding of the transnational corporation must start from the scientific proposition that this strategy (transnationalism) is a historical product of capitalist development. It must then proceed to show the historical epoch in which the phenomenon arises and its causes, and then concretely specify the forms monopoly has taken. Hence its real essence must be traced in the historical movement of capital as a product of society (Nabudere 1979, p. 45)

Nabudere in another work in 1977 (pp. 186-7) emphasised multinationals are a product of the tendency within capitalism towards monopoly that develop at a specific stage; they are a continuation of the interwar movement that attempted to build cartels, trusts and syndicates; their development has been accelerated by the growth of economic blocs after World War II (See also: Magdoff 1976, p. 200).

It was Lenin who identified the period of initial growth of monopoly within capitalism between 1870 and 1914. This was the period which he also established as the beginning of the modern era of imperialism. This linkage was no accident but the assertion of a necessary connection between the growth of monopoly and the stage of imperialism within capitalism. Lenin declared aphoristically: ‘in its economic essence imperialism is monopoly capitalism’ (Lenin 1964a, p. 298; see

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<sup>34</sup> On the power of the financial oligarchy in Britain see John Scott (1991), p. 151. Of course the concept of finance capital is subject to much debate, on this see Kemp (1967), p. 71.



Kemp 1967, p. 72 and p. 76 on the significance of this linkage; Magdoff 1976). This dimension of monopoly capitalism will be examined later but first the role of the state within monopoly capitalism requires examination.

#### 2.1.4 *The State and Monopoly Capitalism*

Monopoly capitalism is not just an economic or an industrial phenomenon as some economists imply (e.g. Sawyer 1988). This accumulation process has enormous *political* preconditions and consequences (Magdoff 1976, p. 209). The central condition of the accumulation process is the generalisation of the commodity form, i.e. the transformation of goods, resources, and human labour power into private alienable property which can be bought and sold in the sphere of exchange. This transformation requires a power greater than individual capitals, and which has the capacity to enforce the private property regime, domestically and globally, that power is the capitalist state (Clarke 1988; Lipson 1985; Barrow 1993, p. 78; Fine and Harris 1979, Chap. 6).

Capitalism, although a spontaneous system, which is subject to the economic laws that are specific to it, has required the support of the state in establishing its sway domestically and internationally (Clarke 1988; Holloway and Picciotto 1977). The social and political tensions which are the result of economic cycles, economic crisis and a continuous struggle for the accumulation of capital require a state that can impose general social order based on the principles of private property (Clarke 1988).

Although the state was an important actor in capitalist expansion in the nineteenth century, it is in the twentieth century that the state has had to intervene more and more extensively in the economy to stabilise the system of private property relations (Fine and Harris 1979, Chap. 8). As monopoly capitalism has developed in the advanced capitalist countries so it has required the state to manage all aspects of the system from the maintenance of property relations internally to promoting its interests abroad (Magdoff 1976, p. 209 ff.; Anderson, Gutmanis and Anderson 2000; Murray 1975; Warren 1975; Fine and Harris 1979, Chap. 8). This coalescence of the state's role and the economic system has led to some to characterise the complex relationship between the two as 'state monopoly capitalism' (Hardach et al 1978, *passim*; Jessop 1982, Chap. 2; Fine and Harris 1979, Chap. 8). The term has been disputed.<sup>35</sup> We consider that the term still has validity but only in a specific way: namely that the state is considered as politically and economically integral with monopoly capitalism but is in a contradictory relationship with it (Radice 1975, p. 13) rather than a direct fusion with certain national groups (Mandel 1978, p. 516; Bukharin 1975; Kirsanov 1975).

State economic intervention or state management cannot do away with the fundamental laws of, and principles, of capitalism, although there are attempts to ameliorate the social, political and economic consequences of capitalism, the struggle for capital accumulation, founded on private property in the means of production, sets limits to the degree the state can manage or control the process (Burnham 2008; Campbell 1981, p. 179; Clarke 1988). Capital has been

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<sup>35</sup> For summaries, see: See Mandel (1978) pp.513-22 ; Jessop (1982), Chap. 2 ; Holland (1979c), *passim* ; Hardach et al (1978), pp.63-68



ambivalent in its relationship with the state: on the one hand, sections of capital have welcomed state intervention; at other times capital in its urge to accumulate resists state intervention, to prevent as far as possible accumulation of capital being siphoned off into state coffers, or restraints being placed in the competitive struggle (Holland 1980, p. 59; Burden and Campbell 1985, p. 69). When intervention is accepted, it is accepted on condition of propping up the system and enabling the further accumulation of capital (Campbell 1981, p. 179ff.; Burden and Campbell 1985 p. 48; Holland 1980, p. 59). Intervention on grounds, other than these, is seen as 'political interference' and resisted (Lipson, 1985). Thus within twentieth century capitalism a political tension over state intervention and public ownership of resources and means of production has emerged: between the forces and groups which seek state intervention and common or public ownership and those that resist this tendency or want to channel it along minimal lines in support of capital. This struggle has massive implications for the state both domestically and in terms of foreign policy (Burden and Campbell 1985, pp. 18-19 and Chap. 3; Holland 1980, Chap. 4; Lipson 1985).

Domestically, the state, through a political struggle of the capitalist class, is (a) transformed and subordinated to the capitalist accumulation process and (b) becomes dependent on it (Barrow 1993, pp. 58ff; Clarke 1988; Bridges 1974). Its transformation and subordination is achieved through: the reform of political institutions and the political process to make it both primarily representative in form and formally equal, whilst in reality it is dependent on access to wealth resources, thereby denying real mass democratic participation (Szymanski 1978,

p. 150; pp. 221-225); the establishment of the primacy of private property laws; and the political and economic commitment to maintain the dominance of private property relations (Engels 1968, p. 528; Szymanski 1978, pp. 156-7; Poggi 1978, p. 116 and pp. 129-132). Reforms open up the recruitment of the middle classes into the higher echelons of the army and civil service; security services are pledged to maintaining the current status quo against its enemies (on UK, see Dearlove and Saunders 1991, Chap. 6); military power is increasingly concentrated in the hands of the State (Weber's 'monopoly of the legitimate use of means of violence', quoted in Crouch 1979, p. 39); changes in the institutional arrangements of government are made that increasingly gives power to the executive and weakens the representative institutions supervisory and accountability functions (Miliband 1969, p.161; Barrow 1993, p. 27; Navari 2000, pp. 130-1; Sweezy 1970, p. 319); and the power of the previous ruling class is undermined and the power of the capitalist class over the state is established.

This is *not* an instrumentalist perspective (Hall 1985, p. 364), because the perspective here is that the state does not simply pass 'ready made' from one class to another to be wielded for their use but is, and has to be, continually transformed and moulded into a system for capitalist economic and political domination which enables the capitalist class to maintain its rule despite the distributional and other struggles that the system generates (Cox 1987; Burnham 1992, p. 151; Sweezy 1970; Jessop 1977, p. 370).



Often, the most suitable form for that bourgeois state is the democratic republic as this gives the fractions of the capitalist class in struggle with one another, as well as the working class in struggle for social reform, the opportunity to express themselves and to win reform and freedom from arbitrariness (Alford and Friedland 1985, Chap. 15; Pierson 1986, chap. 2; Szymanski 1978, p. 147; Jessop 1977). But the democratic republic, as we have seen, is bounded by constraints, restrictions and pro-capitalist rules (Clarke 1988; Burnham 2008; Sweezy 1970, p. 250; Alford and Friedland 1985, Chap. 15). The boundaries of the democratic republic are set: the limits being those of capitalist accumulation (Clarke 1988).

Likewise state intervention and social reforms are subordinated to the accumulation process; where state capitalism is developed within capitalism, it of necessity operates according to the laws of accumulation and the market. It, ultimately, is as much subject to the economic laws of capitalism and the economic powers of finance capital as any other enterprise (Williams 1982; Feigenbaum 1982; Burden and Campbell 1985, Chap. 3, esp. p. 69). Nationalisation may be won through popular struggle but the form and content given to nationalised industries or services mean that they have to operate within the capitalist framework, i.e. subordination to the capitalist accumulation process, participation in the capitalist market, financial constraints (i.e. debts, loans, etc.), and hierarchical management with little or restricted worker participation (Mandel 1968, p. 498ff.; Holland 1976a). Worker participation, if it is accepted, frequently comes in the form of corporatism or tripartism which ultimately serves the capitalist class (Panitch 1986). The criteria for success is often set along efficiency lines which prioritises profits, cost-cutting, increased capital

investment, redundancies, competition, struggles against (often larger) private capital and being drawn into the logic of the capital accumulation process (Jones and Keating 1985, p. 97; Williams 1982; Feigenbaum 1982).

The dependence of the state on the capitalist class comes about through the fiscal and financial requirements the state incurs as it seeks to prop up the capitalist system; the funding of the state comes to rely increasingly on the wealth and wealth-creation of capitalism (Bridges 1974; Barrow 1993, pp. 58-59). The legitimization of capitalism, as well as the accommodation of working class, requires this increasing expenditure. The state increasingly relies on taxes upon capitalists and workers (as well as other classes) for its maintenance and also relies on borrowing from the financial classes. These economic and financial dependencies place the state at the behest of the overall capitalist accumulation process (Barrow 1993, p. 59). It is in the interest of the state to avoid economic crisis and to spur capitalist economic growth which creates the parameters of state policy; the interests of the capitalist state is directly bound up with the broader interests of the system's drive to capital accumulation (Bridges 1974; Barrow 1993, pp. 58-59). Of course, there may be political disagreements over the strategy of capital accumulation whether it is through less state interventionist policies or through corporatism and tripartism but the goal of capitalist growth to provide for the reproduction of the system is shared.

Critics of Marxism refute the Marxist view that the state is subordinated to monopoly capital by arguing: (a) that the state has to address the interests of other classes and not just monopoly capital (Jessop 1977, p. 370; Jessop 1985, p. 274 );



(b) that the 'fusion' thesis of some state monopoly capitalists theorists is disproven by the fact that the state sometimes acts against segments of monopoly capital (Gilpin 1975, pp. 143-147; Holloway 1976) ; and (c) lastly, that the state and monopolies, especially multinationals have a conflict of interest (Strange 1996, Vernon 1971, Chap. 7, Gilpin 1975, p. 146). In reply to (a): the interests of the other classes are addressed but always within the overall context of the maintenance of private property relations and therefore of the predominant form of those relations, monopoly capital. Capitalism today cannot exist without monopolies; and to sustain capitalism is to sustain the monopolies. In reply to (b): there have been some theorists of the state-monopoly capital relationship that have asserted the complete fusion between the nation-state and monopoly capital (for summary see: Mandel 1978, p. 516; Kirsanov 1975); however, what they have overlooked is that the relationship is one of contradiction (Holloway and Picciotto 1977, p. 97; Radice 1975, p. 13, Coleman 1986 pp. 247-251, Vernon 1975, p. 146).<sup>36</sup> This thesis stresses this perspective. By this is meant that although the nation-state acts in the interests of monopoly capital, i.e. capitalism, in general this does not mean that the state does not come into conflict with sections or fractions of capital. At times the state will have to act in the interests of capitalism, *in toto*, which will bring it into conflict with sections or fractions of monopoly capital. The term 'the interests of capital' should not be narrowly conceived. The 'interests of capital' in its broad meaning expresses the needs of capital for stability, legitimation and maintenance of the system which incorporates working class (and other classes) reforms. But as Holloway and

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<sup>36</sup> Vernon (1975, p. 146) makes the point that although the tendency is for corporations to maximize freedom from governmental control and pit government against government nevertheless, the MNCs and the U.S. government act 'consistently' with one another in the area of foreign policy.

Picciotto (1977, p. 97) have argued, there are limits to the state's intervention in connection to the capital relation.

How does the state know the general interests of capital? In the 'democratic republic' process it is discovered through the political process itself, as viewpoints are aired and decisions made, *but* always on the basis of the constitution of private property (Barrow 1993, p. 78). (Nationalisation, as will be discussed in chapter three, is made on the basis of the overall requirements of private property or capitalism.) In reply to (c) which forms one of the central elements of this thesis so this will be brief: monopolies do sometimes undermine the power of nation-states in certain respects; they can act against or undermine policies of both advanced<sup>37</sup> and developing states yet the state must always further the interests of 'its' monopoly capital in general if it is to generate 'national' growth and its tax base. Also monopolies in pursuit of their interests cannot dispense with a home state, whether it be a national-state or some other entity e.g. a 'regional' political structure for ultimately political and military power in the world is still within the dispensation of political 'states'. Furthermore the nation-state as a power may not be sufficiently strong to advance capital's interests (Rowthorn 1971). This opens up prospects of how capital has its interests advanced beyond the nation-state through some new 'supranational' entity (Mandel 1970; Radice 1971; Holloway 1976; Nabudere 1977; Holloway and Picciotto 1980; Carchedi 2001).

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<sup>37</sup> For an example of how US monopolies can act against the US state see: Gilpin (1975), pp. 144-146



### 2.1.5 *Partial Economic Crisis (or Economic Cycles) and the Role of the State*<sup>38</sup>

We have seen how the state plays a critical role in the development of capitalism and in the emergence of modern imperialism. There is one more dimension that requires examination, especially as it is one that is central to capitalism after the Second World War and also, to Stuart Holland's analyses and strategies.

In his review of Marxist theories of partial economic crises Anwar Shaikh distinguishes between two groups of theories within Marxism based on different interpretations of the 'laws of motion' of capitalism. He calls these two groups of theories: (i) 'possibility theories' and (ii) 'necessity theories' (Shaikh 1983). Possibility theories can be divided into two groups again: (a) the underconsumptionist theorists and the stagnation theorists and (b) wage squeeze theories. These theories work within the general understanding of Marxism that interprets crisis as the result of a certain *conjunction* of historically determined factors. To condense the arguments of this group severely, but necessarily due to limitations of space, the policy outcome is that the inherent tendency towards crisis that Marx identified as an essential aspect of capitalism can be countered by *state* action in relation to group (a) theories and group (b) theories. In other words, the state can play a critical role in reducing or eliminating the crises of monopoly capitalism. Holland's analysis is positioned within the 'possibility' theories. However, there is the second position of the 'necessity' theories which the author of this thesis adheres to in his analysis. The rub of this analysis, based both on private property in the relations of production and the law of the

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<sup>38</sup> A useful review of political dimensions of Marxist theories of economic crisis can be found in Val Burris (1984).

tendency of the falling rate of profit is that capitalism in its drive to accumulate surplus constantly comes into a self-contradiction: on the one hand it needs to increase the amount of fixed capital as a ratio to the capital it employs overall in the accumulation process, on the other hand, this leads to a falling rate of profit as a tendency, which can be meliorated, among other factors, but not overcome, by state action. In other words, economic crises are the inevitable outcome of capitalism's laws of operation and the disproportions it creates and are inescapable (Mandel 1968, p. 166; Burris 1984).

#### 2.1.6 *Imperialism and the Global Division of Labour*

The model of the national development of capital accumulation presented above can be visualised as a process taking place on a global scale. Where capital establishes itself and subordinates "its" state so then that capital and its state seeks to accumulate and appropriate as much of the global capital available as it can (Szymanski 1978, pp. 206-212; Burnham 1991, p. 83). A global struggle of capital sets in - giving new form and content to the old mercantile struggle for colonies or markets and raw materials. Nation-states embark on foreign economic and political policies that serve domestic capitalist interests within the context of the distribution of economic and political power which prevails at the time (Kemp 1967, pp.73-75 and p. 78; Mandel 1985, pp. 526 ff.). The actual specific content of those policies cannot be derived abstractly but have to be uncovered through historical investigation. But the general law which operates behind the separate national foreign economic and political policies are primarily the interests of the capitalist class in their drive to accumulate capital or to provide



the conditions which sustain it, i.e. the production and reproduction of private property relations (Kemp 1967, pp. 73-75).

The requirement to turn from the domestic market to overseas markets is internally driven by the capital accumulation process. As rates of profit fall with the growth of competition, alongside the continued demands of capital expansion, so it becomes a necessary feature of capital accumulation to search out and secure or influence sources of capital accumulation abroad (Rowthorn 1971, p. 69, n. 40). Monopolies or oligopolies seek to oust rivals from markets, establish chains of supply and secure control over those supplies on a global scale (Martel 2000, pp 411-412; Mandel 1968, Chap. 13; Nabudere 1977 and 1979; Barone 1985, Chap. 2; Polychroniou 1991, Chap. 2; Kemp 1967, Chap. 5). It is important to stress here, and it is a point commonly confused, that this does not require formal political control over a territory, nor is it aimed at solely “agrarian countries”.<sup>39</sup> In the struggle of the monopolies to capture new markets they may seek to seize upon the capital of the local markets to increase the pool of capital resources they have at their command. This results in the further concentration of capital in their hands. Some have interpreted this aspect as undermining Lenin’s thesis of imperialism (see Barratt Brown 1995, p. 111) rather it is increasing evidence of the economic power in the hands of the monopolies.

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<sup>39</sup> Thus Barratt Brown defines imperialism thus: ‘a complex of economic, political and military relations by which the less economically developed lands are subjected to the more economically developed... Imperialism remains the best word for the general system of unequal world economic relations’ (Barratt Brown quoted in McKinlay and Little 1986, p. 125). At the same time Barratt Brown dates the era of imperialism as lasting from the 1870 into the 1930s (Barratt Brown 1995, p. 35).

The influence over other countries may be informal; through the invisible threads of finance or just the structural organisation of production, distribution and exchange in the global capitalist economy (Green 1987, p. 99ff.; Kemp 1967, p. 168; Mandel 1968, p. 480ff.; Nabudere 1977 and 1979; Lipson 1985 *passim*). As Elson has emphasised: ‘the power of the multinationals resides in their control of know-how’ (Elson, 1984, p. 173). The struggle is global; in fact in the 1960s and 1970s with more of the national liberation and ‘Third World’ countries ready to nationalise foreign companies or appearing as areas of political risk to investment, the struggle increasingly focussed on the economies of advanced capitalist countries (Lipson 1985 *passim*; Kemp 1967, p. 160). The growing capital export and foreign direct investment between these countries does not reflect so much the intensified intermeshing of economies, contrary to some globalisation theories, but rather the growing struggle between capitals to find places for capital accumulation on the planet (Kemp 1967).

Thus the foreign economic and political policies of states derive not purely from policy choices of governments but are a stage of capitalism based on fundamental drives of the capitalist economic system and the global political-economic context of their operation (Kemp 1967, p. 76).

The global capitalist system is structured within a ‘hierarchy of states’ (Lenin 1964a, p. 300; Clark 1989). This hierarchy is founded upon an uneven distribution of economic and political power among nations.<sup>40</sup> This power is not just ‘overt’ and ‘covert’ forms of power but also structural power: that is

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<sup>40</sup> For a discussion of the concept of power and its application to the international political economy, see Gill and Law (1988), pp. 71-80.



economic and social structures which suit the interests of the major powers in the global political economy (Gill and Law 1988, p. 75). Krasner and Gilpin have pointed to the construction of international regimes and organisations which ‘reflect the power and interests of the dominant power/s in the international system’ e.g. the liberal trade and monetary regimes following World War II promoted the economic and security interests of the United States and strengthened the anti-Soviet political alliance (Gilpin 2001, p. 88; p. 92; p. 101; Krasner 1985). These regimes do not necessarily reflect the power of one dominant power but can express the common interests of several or more in the furtherance of general economic and security interests (Gilpin 2001, p. 88; Gill and Law 1988, pp. 36-39).

This distribution of power is not permanent but shifting; it is upset as the conditions of accumulation for states change within the system. This means that no political-economic configuration of powers is permanent; as the struggle of capitals persists, so the political structures through which they operate and express themselves change and responds to the demands of capital in its struggles against its rivals (Gilpin 2001, p. 92; Kemp 1967, p. 74 and p. 78).<sup>41</sup>

Upon this premise of shifting relations between powers it is quite possible to note and foresee the decline of US hegemony compared to its position after World War II (contra Panitch and Gindin 2006), and the rise of a European or Asian power to hegemonic status in the future (Chase-Dunn and Podobnik, 1999) .

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<sup>41</sup> On the political struggle within regimes see: Gilpin (2001), p. 92.

Contrary to the thinking of many economists and international political economists the international division of labour, the global circulation of capital and commodities, is not simply the outcome of solely an economic division of labour. It is the result of a political-economic struggle that takes place globally between states, classes and developed and developing countries. In the process of capital export certain rules regarding private property are established and continually fought over, such as; the formation of alienable, private property and rights of appropriation, the rights and responsibilities of private property or capital, the legal jurisdictions to which it is subject, political attitudes towards its freedom of movement and issues of compensation in the case of expropriation. Thus an international private property regime has to be secured in which both states and private MNCs participate. The terms of this regime has changed over time as the result of struggles that have taken place (Lipson 1985, *passim*, especially p. 258 ; Picciotto 1991).

The significance of the origins of the international property regime is important. It suggests historical materialist reasons as to why neo-liberalism became such a dominant ideology in the 1970s (rather than as Holland (1980) views it as an outdated philosophy). In this perspective the foundation of this form of hegemonic ideology has been the result of a titanic struggle between states and classes in the twentieth century over property rules and how they are interpreted, rejected and implemented. This historical materialist approach offers to place the dominance of principles and concepts within an historical development of the struggle between states and classes upholding private property principles and



those states and classes working to oppose them (Lipson 1985; Cassese 1988; Burnham 1991).

### 2.1.7 *Conception of Imperialism*

In the discussion on imperialism in contemporary radical international political economy Lenin's theory on imperialism although acknowledged is rarely applied. This thesis argues that Lenin's theories do still have relevance but they need to be applied on the context of contemporary capitalism. This, of course, depends on how we interpret such theories. Ernest Mandel (1985) has divided the left theories of contemporary monopoly capitalism or imperialism into three broad groups: (a) the model of *super-imperialism*: where 'a single imperialist power possesses such hegemony that other important powers lose any real independence' (Mandel 1985, p. 532). Contemporary theorists of such a position are those like Panitch and Gindin whose concept of the 'unique American empire' or US super imperialism follows on from Poulantzas's arguments in the 1970s (Panitch and Gindin 2006, p. 24; Panitch 1994, 2000). This position argues that globalisation is nothing but absorption of the globe under the US economic framework and that all rival capitalisms have become subordinate to its economic, military and political power. (b) The model of *ultra-imperialism*: this is where 'the international fusion of capital has advanced so far that all critical differences of economic interest between the capital owners of the different nationalities disappear. All major capitalists have spread their capital ownership, production of surplus-value, realisation of surplus-value and capital accumulation (new investments) so evenly over different countries and parts of the world that

they have become completely indifferent to the particular conjuncture, the particular course of the class struggle and the ‘national’ peculiarities of political development in any particular country’ (Mandel 1985, p. 533). This position is a close approximation of the contemporary view of Hardt and Negri with their conception of amorphous Empire which:

Establishes no territorial centre of power and does not rely on fixed boundaries or barriers. It is a *decentred* and *detrterritorializing* (authors’ italics) apparatus of rule that progressively incorporates that entire global realm within its open, expanding frontiers (Hardt and Negri 2001, xii).

Within this framework empire becomes equivalent to globalisation. What each of these approaches to imperialism share is the belief that the institutions and networks of globalization or US super-imperialism have stifled and subordinated the economic rivalry of the major capitalist states. These of course are a replication of, or a variation of, the old Kautskyian argument that the tendencies towards rivalry and conflict between states or their political blocs in the contemporary age have been overcome (Hardach et al 1978, p. 46). This is not the perspective presented here and as will be argued, Lenin’s theories have far more relevance to today than the authors mentioned above are willing to concede.

Lastly, (c) the model of continuing *inter-imperialism*, taking new historical forms: “in this model although the international fusion of capital has proceeded far enough to replace a larger number of independent big imperialist powers with a smaller number of imperialist superpowers, the counteracting force of the uneven development of capital produces the formation of an actual global community of interest of capital. *Capital fusion is achieved on a continental level, but thereby intercontinental imperialist competition is all the more intensified*’ (Mandel’s italics: Mandel 1985, p. 533). This perspective is close to



the one taken in this thesis, however, I defer from a number of aspects of Mandel's understanding of the process in that the 'bloc' formation which he refers to between the 'smaller' imperialist powers is not as straightforward and as smooth as Mandel might propose nor is the number of blocs fixed or permanent.<sup>42</sup>

Thus Lenin's theory of imperialism still has relevance today: it can explain imperialism and globalization but like any theory it requires to be applied in the circumstances of its day, with real understanding of historical context and not be applied dogmatically.

Finally within Marxism, Nabudere has pointed out, it is important to demonstrate

that imperialism manifests itself at various stages of development of societies. . . . imperialism cannot therefore be comprehended as a general phenomenon, but has to be examined in relation to stages of development of the productive forces and their corresponding social relations and forms of organisation of production. But to do this scientifically it is necessary to establish the laws of motion specific to the various stages of development of the relevant imperialist and subordinated societies, hence the importance of historical materialism (Nabudere 1977, p. 268).

This position is the context of our understanding of imperialism.

#### 2.1.8 *Social and Political Aspects of Imperialism*

Some commentators on Lenin's theories have only focussed on the economic aspect of his understanding of imperialism. Yet Lenin's intentions in writing about imperialism were not primarily economic but *political* (Kemp 1967, p. 65). Its aim was 'an analysis and exposure of the theoretical errors of Kautskyism' (Lenin 1964a, p. 192). It sought to reveal the socio-economic premises upon

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<sup>42</sup> We return to this subject in Chapter 4 when we examine Holland's European strategy.

which social democracy operated. In other words, his arguments were directed at exposing the roots of the political trend within the working class movement known as 'social democracy' of which Kautsky had become a major representative at that time. It was Lenin's aim to show: (a) the theoretical differences he had with Kautsky over modern capitalism and (b) to explain the economic and social roots of the political tendency of social democracy under conditions of monopoly capitalism. Some of the theoretical arguments of Lenin have already been scrutinized. In this section we will deal with Lenin's explanation of the economic and social roots of social democracy and its political outlook.

Lenin argued that the role of the imperialist states in the global division of labour and the global distribution of property enabled the ruling classes within those states to provide the basis for the "buying off" of sections of the working class and to accommodate certain working class demands within capitalism (Kemp 1967, p. 79). In today's political economy this advantage is expressed in the position that states find themselves within the global division of labour (e.g. Dicken 1998). Lenin's theory enables an understanding that the capitalist classes of the imperialist states were able to utilise their dominant and privileged position in the world's markets to use tariff protection or free trade regimes (as the case may be) to secure jobs, cheaper food and raw material supplies, to maintain or establish social-democratic political and industrial structures at home, to provide consumer goods incorporating technological know-how, draw on larger tax bases for fiscal, military and welfare purposes, and improving standards of life for many metropole workers at the expense of workers and peoples elsewhere in the



world (see Jones 1986 on Neo-Mercantilism; Kemp 1967, pp. 79-80).<sup>43</sup> These benefits of imperialism became the ‘consumer society’ of the late twentieth century, with economic power in the markets diverting commodities to the imperialist metropolises and providing an outlet for the export of commodities and capital (Kemp 1967, p. 83). However, as stated above, those benefits are not assured under the constant struggle of capitalist against capitalist and imperialism against imperialism.

This economically favourable situation provided fertile ground, in Lenin’s eyes, for the political movements of reformism and opportunism, which diverted the working class away from the struggle for socialist revolution and preferred accommodation with capital. Thus a split in the labour movement became established in imperialist era between those who sought reforms within capitalism and those who wanted to achieve its overthrow (Pierson 1986, Chaps 2 and 3).

Not surprisingly Lenin claimed that chauvinism, nationalism, jingoism and racism were the products of these alliances.<sup>44</sup> The imperialist states have developed various cultural constructs to express this identification of workers with their imperialisms (Magdoff 1976, p. 213; Mackenzie 1986, 1987).

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<sup>43</sup> This position differs from that of Szymanski (1981, chap. 14) and the Monthly Review authors of the New Left of the 1960s that saw benefits to the metropole working class mainly at the expense of ‘less developed countries’ (LDCs) ; this repeats the mistake of Kautsky of seeing imperialism as benefiting from the ‘less developed regions’ only; imperialism operates globally not only in the LDCs and the benefits to sections of the working class of imperialist countries accrue from the privileged position it has in the *global* division of labour. See: Kemp (1967), p.81

<sup>44</sup> For the attempts to whip up working class support for imperialism (defined as colonialism) see John Mackenzie (1986; 1987). Of course this was J. A. Hobson’s (2005) point too.

Lenin's arguments have been subject to strong criticism, not surprisingly from social democrats, who have wanted to deny this analysis of reformism and opportunism in the working class movement and to reject the understanding of its social base. Some, such as Michael Barratt Brown, have argued that:

The maintenance of imperialist political and economic relations . . . did not benefit the working people of developed nations (Barratt Brown 1972b, p. 83)

Barratt Brown argues this, however, from a false understanding of the concept of imperialism as indicated above. He propounds a 'dual economy' concept in which the momentum of the global technological division of labour creates a global political economy where the developed world is technologically advanced and the under-developed part is not (Barratt Brown 1972b, p. 86). It is based on a technological determinist view and fails to highlight the role of the capitalist social and political relations that shape the international division of labour (see above). Barratt Brown totally fails to see also that imperialism is not about relations solely between advanced and 'developing' nations but about how monopoly capital acts in its relations to all countries, developed and underdeveloped, as a whole and how it imposes its rule through the institution of private property (Kemp 1967, p. 81).

Imperialism, as Lenin emphasised, is monopoly capitalism. It includes the multinationals (served by the state), spreading their wings to all *parts* of the globe, imposing private property regimes, and the privileged and powerful economic positions they are able to exploit for themselves and the maintenance of the social system as a whole (Kemp 1967, p. 81).



### 2.1.9 *The Bloc Theory of Imperialism*

Monopolies have a home base, which currently, exists in nation states (Brewer 1990, p. 265; Magdoff 1976 p. 213; Mandel 1970, p. 55ff., Mandel 1978, Chap. 10; Gill and Law 1988, p. 195).<sup>45</sup> However, in the struggle of capitals, especially of smaller against larger, there is no reason why smaller national capitals may not look to seek and build larger political units than their domestic nation state in their struggles against rivals (Engels 1990, pp. 457-458; Lenin 1964c; Rowthorn 1971; Mandel 1970 p. 55ff. and 1978 Chap. 10; Holloway and Picciotto 1980; Burnham 1995, p. 110; Milward 2003, chap. 13). However, the concept of a worldwide state representing all capitals and managing their interests in common is but a mere illusion (Chase-Dunn and Podobnik, 1999, p. 59; Lenin 1964a; Beitel 2005; pp. 189-191; Nabudere 1977, p. 184; Mandel 1978, Chap. 10). It would be tantamount to asserting that the conflictual nature of the capital accumulation process could be overcome by the power of the state in some form of 'organized' capitalism (Hardach et al. 1978, pp. 54-56; Mandel 1978, Chap. 10). However, supranational political entities are possible; the formation of economic blocs being a good example (Lenin 1964c; Mandel 1970 and 1978; Nabudere 1977 and 1979; Beitel 2005, pp. 172-178; Carchedi 2001, p. 129) but these blocs themselves are fragmented by the interests of conflicting capitals and are equally liable to reformation under changing circumstances as is the nation state (Lenin 1964c; Holloway and Picciotto 1980, p. 142; Chase-Dunn and

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<sup>45</sup> Of course this is a contested viewpoint. (See, for example, Reich (1993), Introduction and esp. p.8)



Podobnik, 1999, pp. 56-58, Burnham 1991, pp 82-83; Burnham 1995, p. 109-110).<sup>46</sup>

A feature of the post-WWII global political economy has been the emergence of political-economic 'blocs' or more commonly called 'regionalism' (Gamble and Payne 1996; Schultz, Söderbaum and Öjendal 2001).<sup>47</sup> Of course there is nothing new about the formation of such blocs (Gamble and Payne 1996, p. 11).<sup>48</sup> The outcome of the Second World War proved a turning point in the organisation of such blocs, whereas previously they, by and large, had been based on colonies<sup>49</sup> they began to take on, in general, a regional dimension.<sup>50</sup> This was largely because colonialism had suffered at the time, and was in the process of, political and economic defeat (Dell 1963, pp 28-29; Nabudere 1977 and 1979).<sup>51</sup>

The fact that the US could act as both a trade bloc and a nation-state on a huge scale increased the attraction of trade bloc formation amongst the West European states (Dell 1963, p. 37; Mandel 1970; George 1996, pp. 22-23). The irony is that

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<sup>46</sup> The theory of bloc imperialism in relation to was first explored in depth by Ernst Mandel (1970; 1978)

<sup>47</sup> I use the term political-economic, rather than economic, in order to emphasise the state's role in the formation of modern regional blocs. They are not the product of economic forces alone but the result of state action in pursuit of economic goals as well. In stating this I am not prioritising the role of the political over the economic as some realists do, but rather ensuring that the state role or politics in the process is not overlooked. See Gamble and Payne (1996) and Schultz, Söderbaum and Öjendal (2001).

<sup>48</sup> Their predecessors go back to the colonial empires of the eighteenth and nineteenth centuries, run through the formation of the United States and Germany in the nineteenth century, their significance was pronounced in the interwar years 1918-1939 especially the military expansionism of Germany and Japan, Britain and France tried to organise trade blocs and the United States reinforcement of protectionism (through the Hawley-Smoot Act of 1930) followed by its bilateral trade policy in the later 1930s (See also: Gamble and Payne (1996), p. 11).

<sup>49</sup> The exceptions to this were the United States in Latin America and Japan in East Asia.

<sup>50</sup> On the history of trade blocs and common markets see Sidney Dell (1963), Chap 1 and Lairson and Skidmore (1993), p. 59 and pp. 141-162.

<sup>51</sup> Of course, there was the attempt by some countries such as Britain and France to hold onto their colonies as long as possible or to form new economic blocs e.g. with the Commonwealth. African countries, etc (Dell 1963, p. 30; Martel 2000, p. 417).



the United States assisted in this process, largely for economic reasons of its own and for political-security reasons to ward off the Communist 'threat' and to build Western Europe as a bulwark against the Soviet Union (Gilpin 1971 p. 409 ff; Bonefeld 2002).<sup>52</sup> The European Economic Community (EEC) which was established in 1957 as a result incorporated neo-colonial relationships with its colonies through the Lomé agreement (Mandel 1970, Nabudere 1979, Chap. 5 and Carchedi and Carchedi 1999; Carchedi 2001, p. 117). The EEC became the model for later blocs in other regions of the world, e.g. ASEAN, NAFTA (Mattli 1999). Thus the world has become increasingly divided into economic blocs with the character of the bloc determined by the political-economic nature of the states driving the process (Chase-Dunn and Podobnik, 1999, p. 57; Schultz, Söderbaum and Öjendal 2001). However, the bloc theory of imperialism does not hold that imperialism is tied to nation-states irrevocably but that imperialism changes with historical context and that it produces new political formations in the process of struggle both against other imperialisms and against the working class (Mandel 1970, p. 55ff. and Mandel 1978, Chap. 10).<sup>53</sup>

## *2.2 Holland's Concept of Monopoly Capitalism*

### *2.2.1 Holland's Theoretical Roots*

Holland's theoretical outlook was originally strongly influenced by Keynesianism. However his Keynesianism is what Schott has described as the "wider variant" which is "more socialist" and believes in greater state

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<sup>52</sup> For the economic reasons see: Cox and Skidmore-Hess (1999), pp. 76-81; Gilpin (1971), pp. 409-414 for the political-security reasons Gilpin (1971), pp. 409-414

<sup>53</sup> The subject of bloc imperialism is dealt with in Chap. 4.

involvement in the running of the economy than the more limited variant of Keynesianism known as the neoclassical synthesis (Schott 1985, pp. 340-342). Holland, in response to the right-wing social democratic focus on demand in the 1960s, stresses the supply-side of economic policy (Tsakalotos 1991, p. 73). However the 'supply side' is focused on organisational power in the market or in exchange relations rather than the understanding of the processes of capital accumulation or in the laws governing developments in production relations. Holland's understanding of capitalism is not based, as in Marxism, on the laws of the dynamic relationship between the forces of production and production relations and the integral nature of economics and politics. Instead it is centred on the problems of the market. Primarily it is a political economy of how to improve capitalist market supply rather than a political economy of a social system (Tsakalotos 1991, 12ff.). As Holland wrote in 1977:

The issues of the structure of supply rather than demand, of chronic disproportion and of direct rather than indirect Keynesian controls have been brought to the forefront of debate (*on economic policy – DL*) (p. 76)

Holland's economic thought is dominated by the consequences of the distribution of power rather than in the Marxist model by the distribution of property (1976a, p. 15). Hence his theory is of the "power theoretic" school (Wolff, 1999). His strategies concentrate more on the redistribution of power especially between the state and monopolies and within the industrial sphere rather than on the redistribution of property. This underscores his outlook that the fundamental problem of contemporary monopoly capitalism is not the concentration of property into the hands of a small minority and the consequences for society of that property distribution but rather about the power of multinational monopolies to frustrate government policies (Holland 1976a).



Much of Holland's early thinking on MNCs was influenced by the work of Raymond Vernon and the work of the American international business school. One of the outcomes of Vernon's study was that national economic sovereignty was held at "bay" by the rise of multinational companies (Vernon 1971). A second influence on Holland was that of the Marxist school known as the "Internationalisation of Capital" (IoC) School. There were various strands to this school represented by Palloix, Murray, Poulantzas, and Mandel and others.<sup>54</sup> A common strand in their thinking was that a process of the internationalisation of capital was occurring, and had been since WWII, and that this had implications for the nation-state.<sup>55</sup> Briefly, it was viewed that the nation-state could no longer implement economic policy independently and therefore policy implementation was constrained by developments in the internationalisation of capital (Palloix 1975; Murray 1971; Poulantzas 1974; Mandel 1970).

Although, at times, he uses categories of analysis, and terminology, from Marxist literature he never applies those categories in a consistent manner. In fact, the central core of Marxist theory, the labour theory of value and the related theory of surplus value, are hardly ever mentioned. It is mentioned once in an article outlining the differences between Keynes and the Socialists (Holland 1977, pp. 71-72). It is intimated in his analysis (e.g. 1976a See Appendix) but is never expanded on or used again by Holland as the heart of his analysis of capitalism. Class is used by Holland in the Weberian manner, defined by relations to the market rather than by relations to production.

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<sup>54</sup> Holland makes reference to and bases arguments on some or all of these authors in both *Socialist Challenge* and *Uncommon Market*.

<sup>55</sup> See John Holloway 1976.

The labour theory of value is central to an understanding of class relations in the capitalist system and the class struggle that results. Exploitation occurs through the institution of private property in the process of production and therefore that exploitation cannot be abolished without ending the institution of private property in the means of production (Resnick, Sinisi and Wolff 1985, p. 99 ff.; Howard and King 1975, p. 15ff.). Given that this theory is central to a theory of labour exploitation, to an understanding of Marxist economics and sociology and is the lynchpin of Marx's critique of capitalism it is not surprising that Holland applies Marxism inconsistently. He is not able to broaden out his theory of monopoly capitalism to link it with the nature of capitalist accumulation and the class struggle which drives it forward. The preference for a pluralistic mixture of tools of analysis over Marxist approaches results in Holland neglecting important aspects of capitalism as an economic and social system. All in all, Holland fails to engage in any significant way with the fundamentals of Marxist economic or political theory.

### *2.2.2. Holland's Theory of Monopoly Capitalism*

Holland's theory of monopoly capitalism is primarily a theory of industrial or market structure. He has a very narrow conception of monopoly capitalism and its relation to the rest of the social and political system. His theory analyses *one* segment of the whole social system, rather than providing a theory of the social system as a whole (Holland 1976a, Chap 2; Holland 1976b, pp. 127-142). This approach is entirely consistent with mainstream academic economic analysis



(Sawyer 1988, pp. 48-51; Begg, Fischer, Dornbusch 2000, chap. 9). Thus, unlike in Marxist accounts, there are no attempts to indicate the determining effects of such a system on the state and an explanation of the dynamics of the accompanying social structure.

Monopoly capitalism is examined apart from political and social institutions and is viewed as just one *specific* factor in a social and political framework that is structured by this as well as several other factors e.g. culture, ideology, politics and social structure. From Holland's standpoint, these other institutions or spheres may or may not be influenced by monopoly capital. The main weakness of Holland's analysis is that it fails to provide a holistic and integral understanding of the capitalist system based on private property (as we have tried to show with the Marxist model outlined above), i.e. how private property shapes the relationships between economics, society and politics but rather maintains the separation of these spheres as occurs in mainstream academia.

His work is influenced too by the writings of Baran and Sweezy on monopoly in the 1950s (Holland 1977, p. 75). But he does not share the neo-Marxist concept of monopoly capitalism as developed by Baran and Sweezy (1968). His works contain no reference to what they consider the 'central theme' of monopoly capitalism: 'the generation and absorption of the surplus' (Baran and Sweezy, 1968, p. 21). Nor does Holland possess an integral analysis of the system as a whole as the neo-Marxists Baran and Sweezy have. Holland does use elements of their analysis e.g. the role of advertising in modern monopoly competition. He superficially shares with them a theory of underconsumption and the importance

of the role of the state in providing consumption and therefore boosting production, growth and jobs (Holland 1976a, p. 389). However, by and large, Holland's theories of underconsumption and the role of the state largely stem from Keynes, partly from Marx, and partly intellectual sources within the social democratic tradition (Holland 1977, pp. 72-77).

Holland in his writings emphasises the 'new mode of production, distribution and exchange' in both the British and European economics in the 1960s and 1970s (Holland 1976a pp. 51, 154 and 1980, Chap. 4). The core of the concept is Holland's discovery of the power of monopolies and multinational monopolies in particular, at work in the global, European and national political economies. At no point does he try to linkup the development of these phenomena with developments in capitalism and private property regimes over the whole twentieth century. Thus he fails to connect the rise of these phenomena with the international power of cartels, trusts, syndicates and monopolies that existed in the period 1900-1945 (on this see, for example: Nabudere 1977, 1979; Magdoff 1976; Apter 1976; Cassis 1997; Hannah 1976; Jeremy 1998; Franko 1976; Hilferding 1981; Held, McGrew et al 1999; Lenin 1964a). Multinationals had been present on the economic scene for a long time (Jeremy 1996; Held, McGrew et al. 1999); of course, what Holland emphasises is the spread of the multinational form of the monopoly which did increase rapidly after the war (Held, McGrew et al 1999), especially US and British post -1945 (Gilpin 1975; Gill and Law 1988) and the emergence of European MNCs after the war (Franko 1971). Monopolies were powerful in the economies of European and the US before 1939 (Cassis 1997; Jeremy 1996; Du Boff 1989). The acceleration towards



multinationality after 1945 was, in part, a response the rise of trade and economic blocs. Holland's major failing when dealing with multinational monopolies is the failure to link this development with the various precedents in the global political economy pre-1945.

To sum up, Holland does not operate within the Marxist analytic framework of monopoly capitalism, i.e. a specific stage in the development of capitalism where monopolies, and specifically MNCs, become the predominant form of capitalist organisation and consequently shape the dynamics of the capitalist state (Kemp 1967; Lenin 1964a; Nabudere 1977 and 1979; Milward 2003, Chap. 4).

### *2.2.3 Holland's Analysis of Monopoly or Oligopolistic firms*

His theory of the firm is rooted in, and is a radicalised version of, mainstream academic economics and is mainly grounded in the critiques of neoclassical economics made by various theorists (Holland 1976a, Chap. 2; 1987a, Chaps. 3 and 4; Radice 1975a, p. 12).<sup>56</sup> There is no doubt, too, that Marx and latter-day Marxists (i.e. Lenin, Bukharin and Hilferding) also had some influence on Holland especially in their analysis of monopolies (Holland 1987b, pp. 181-187). But whenever Holland discusses monopoly the context he uses is that of distortion of market structure (See 1976a Chap 2; 1976b, Chap. 5; 1980, pp. 65-71; 1987a; 1993a, pp. 86-99) or unequal competition (1992b). Holland's ideas on multinational monopolies also reveal closer affinity to the American school of international business led by people such as Raymond Vernon (1971) than it does

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<sup>56</sup> Holland mentions among others: Sraffa (1926), Chamberlain (1933), Robinson (1933), Kalecki (1954), Penrose (1963), Downie (1958) and Galbraith (1967), Sylos-Labini (1962 and 1969), Perroux (1964), (see Holland 1976b, Chap. 5.; and 1987a, xiv, pp. 12-13, Chap 4).

to Marxism (Radice 1975, p. 12). Holland participated with Vernon on various works on European public enterprise and in seminars on the same subject and it is clear that his ideas have a close proximity with Vernon's on the threat of multinationals to national sovereignty (Vernon 1971) rather than how they exploit the working class (Mandel 1968).

His ideas regarding the impact of monopolies in politics can be discerned in the works of Barratt Brown (1968 and 1972a), the writing of Raymond Vernon (1971), the work of John Strachey (Holland 1977, p. 75), Robin Murray (1975) and Walter Goldstein (1974).

His analysis is based on a response to the perfect market model of neoclassical economics rather than a break with its premises (Holland 1987a; Holland 1976a). Holland perceives the rise of multinational monopolies as a variety of market failure rather than a product of a specific stage in the development of capitalism (Tsakalotos 1991, 12ff.). He does not connect the rise of multinational monopolies with forms of business organisations that had prevailed in the interwar years such as cartels and trusts.

A consequence of Holland's analysis is that he regards the solution as not the uprooting of the very sources of monopoly within capitalism but the introduction of some form of competitive market structure instead which for Holland had existed in the 1950s would enable the redeployment of Keynesian macroeconomics (Holland 1976a, p. 164ff. ; Laux and Molot 1988, p. 17 ). Holland also viewed the 'boom years' of the 1950s and 1960s as a product of the



success of Keynesian state policies in a competitive economy rather than a temporary boom in capitalist accumulation as Marxists had argued (Holland 1976a, chap. 2 and 1987b, p. 141; Armstrong, Glyn and Harrison 1984; Bienefeld 1994, p. 125; Thomson 2000, p. 39).

The problem with Holland's critique is that even though it questions some of the assumptions of conventional economics, namely free competition among firms in the market, it does not break with them completely.

#### *2.2.4 Holland's Theory of Economic Crisis*

In his major work on political economy (1987a and 1987b), Holland reduces Marxist theory of capitalist crisis to a problem of under-consumption and this enables Holland to utilise Keynesian prescriptions as the remedy to the problem of economic crisis (Holland 1987b, pp. 379-381). Holland's aim is to restore the workings of the capitalist market, but not to abolish its foundation - private property in the means of production.

The market and its spontaneous operation of the law of value are still accepted as a goal within Holland's political economy. However, instead of Adam Smith's metaphysical 'invisible hand' guiding its operations, Holland maintains that the real hand of the state must correct its anomalies. More active state intervention is the solution to the economic crises of capitalism (Holland 1976a, 1980; 1987b p. 141 and p. 381) and that intervention is aimed at enabling capitalist growth again so that its fruits can be distributed among the main classes of capitalist society.

Thus within Holland's analysis the central focus to the solution of economic crisis falls upon the relations between institutions that structure the market. The realignment of those institutions to ensure the proper functioning of the market is at the heart of Holland's political economy. Yet it is the operation of the system through the market, from the Marxist perspective presented above, that produces, inevitably, monopoly capital and the crises of monopoly capitalism (Fine and Harris 1979, p. 132; Mandel 1968, Chap. 11).

The major economic problem of the 'real world' which Holland described was that the tendency to 'equilibrium' in the market which the neoclassicals propounded was in fact a mere fiction (Holland 1976b, p. 131; Holland 1987a, pp. 99-102). Thus, in Holland's opinion, the real tendency of capitalism's market was not towards balance, equilibrium and stability but rather to imbalance, disequilibrium and instability. This question of whether the 'free working of the market tends to equilibrium or disequilibrium', Holland argues, 'is crucial to public policy'. He continues:

If the market... balances... [t]hen government intervention may be minimal or unnecessary. If by contrast ... the economy tends to depart from equilibrium, a whole range of public policies will be needed to offset such misbalance (Holland 1987a, pp. 8-9).

This sums up Holland's political economy in a nutshell and can be situated within Shaikh's (1983) group of "possibility theories" of economic crisis.

#### *2.2.5 Holland's Theory of Socialist Transformation*

As Holland does not recognise the exploitation of labour in the Marxist sense, he cannot elaborate clearly the economic, social and political conditions for the



abolition of the exploitation of the working class i.e. the abolition of private property in the means of production and its replacement by common ownership. Holland looks to the state capitalist intervention to remedy problems facing the working class rather than advocating working class power. By the latter is meant that the working class has to develop new participative forms of power which enables it to become fully sovereign (Hoffman 1995; 1998), responsible, political actors rather than the recipients of decisions of representatives (Pierson 1986, chaps 2 and 3).<sup>57</sup>

In Marx's social and political analysis the working class was the centre of the social system. The analysis acknowledged that the working class alone had the power to liberate itself if so organised and was the only class that had a direct interest in socialised relations of production (i.e. to free itself from exploitation by private property owners). This, for Marx, made it a revolutionary class and the focus of his call for its political organisation. Although Holland makes appeals to the working class and calls for radical reforms to the state he has no vision of the working class restructuring the capitalist state so as to allow mass democratic participation in political decision-making at all levels (Pierson 1986, Chaps. 1-3). The working class, in Holland's vision, have to act indirectly through the state and its representative institutions rather than taking direct action and forming their own new, participative institutions along the lines Marx, Lenin and Luxemburg advocated (Pierson 1986, p. 22, p. 54. p. 65; Weber, 1978, p. 8). Likewise, from the above Marxist standpoint, corporatism and tripartism, which

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<sup>57</sup> This is discussed further in chapter three.

Holland promotes in his planning agreements, can be viewed as collaboration by the working class in their own exploitation (Panitch 1986, *passim*).

Nevertheless Holland is aware of how changes in the institutions that structure production have an impact on other spheres of politics and society. For instance, he argues that multinational monopolies can frustrate the ability of governments to steer the economy. But he does not perceive these socio-political changes as the product of the struggles within monopoly capitalism. For Holland, the problems are not a result of the system of private property but of a *malfunctioning* of the system, which if remedied, can make the system run more efficiently and thereby countervail the harmful effect of monopoly organisation in industry i.e. by the state facilitating competition. This differs sharply from the model presented above where the only way to eradicate the menace of the multinationals is to change the social system at the roots, both economically and politically. Ultimately, Holland's perspective is a rebalancing of relations between state and monopoly capital rather than the abolition of both the capitalist state and the acme of private property, monopoly capital.

#### *2.2.6 Holland's Characterisation of the Contemporary Age: Imperialist Rivalry v. the Competition of the Multinationals*

Radical international political economy is divided within itself as to how to portray contemporary capitalism today. Some believe it is best characterised by stressing the prominence of multinational capital which has become "footloose" in its relations with the state (R. Murray 1975, Goldstein 1974, Sutcliffe 2002, pp. 51-54; Barratt Brown 1995, Chap. 17); others consider imperialism as a more



accurate analytical understanding of capitalism (Freeman and Kagarlitsky 2004, Carchedi 2001, Petras and Veltmeyer 2001, Nabudere 1979, Halliday 2002). The difference between the two concepts is the role the state plays within them. Within the former model, multinational monopolies act outside and beyond the powers of the state; the state appears as a dependent variable on the independent power of big capital. In the latter model, the state and capital work together to impose global private property relations and to enable the global accumulation of capital. Holland leans towards the first tendency but is prepared to acknowledge a ‘conjunctural’ understanding of imperialism in his writings (Holland 1980, p. 152ff.).

Holland’s notions of imperialism and the modern global economy are based on beliefs that Lenin’s theories of imperialism are inapplicable and that imperialist policies are just that – policies of particular historical conjunctures of economics, personalities and institutions rather than the expression of a *stage* in the development of monopoly capitalism. Rather than viewing capitalist economics, politics and ideas as an expression of the whole system or mode of production; Holland is of the school that views the ‘social formation’ as ‘the structural separation between politics and economics, state and market’ (Colás and Saull 2006, p. 2). Holland’s analysis bears similarity with those who consider ‘ideological frameworks, political contestation and historical contingency’ (Colás and Saull 2006, p. 3) are important in the analysis of imperialism. The Marxist model presented above views imperialism as the outcome of a stage in the development of capitalism, a stage whereby private property relations which are imposed globally reach new heights under the rule of monopoly capital.



In a review of Eurocommunist parties' political economy which is relevant to our argument, Holland writes that their approach "shifted Lenin's emphasis from international struggle between imperialist states to competitive struggle between multinational companies" (Holland 1979c, p. 213). This comment could not better apply to Holland's own political economy. Holland too prefers the 'competitive struggle between multinational companies over and above states and within which states intervene rather than adopting the imperialist model. The state is not recognised as a 'home' state of monopoly capital which promotes its interests; but rather as a 'host' state which must negotiate with it.<sup>58</sup> This position enables Holland to argue for state intervention against the monopolies.

For he continues:

They (*the Eurocommunist parties –DL*) stressed the changed scale and scope of state intervention in capitalism, with the implicit admission that state subsidy and public purchasing... could now achieve real gains both for capital and for the working class. Their differences were also crucially reflected in political strategy: while Lenin saw state intervention mainly as a futile attempt to offset the impending crisis of capitalism for a while, and state capitalism as the ante-chamber to a socialist transformation of a capitalist society, the state monopoly capitalism thesis, as endorsed by the main communist parties in the mid 1960s, admitted the adaptive capacity of the modern capitalist state, and its relative ability to postpone and frustrate the transformation of capitalism through placation of broad sections of the working class (Holland 1979c, p. 213).

State monopoly capitalism, a term first used by Lenin (Lenin 1964b, p. 387 and p. 415), utilised the concept to stress tendencies *within* imperialism. These tendencies were the 'extraordinary strengthening of the "state machine" and an unprecedented growth in its bureaucratic and military apparatus" (Lenin 1964b, p. 415) and the merging of the state 'more and more' with the monopolies (Lenin 1964b, p. 415). Subsequently the concept has been used by different thinkers in

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<sup>58</sup> The terms 'home' and 'host' state are widely used within IPE : the former to denote the home base of monopolies ; the latter to denote a state which 'hosts' the investment of MNCs from another country. 'Home and 'host' states have different policy characteristics in their relationships with monopoly capital.



different contexts.<sup>59</sup> This is not the place to enter into the debate around the interpretations of the concept but one version of the concept became the basis of Eurocommunist political economy which held that the state control over monopoly capitalism had reached such a point that the democratisation of the state would and could allow socialist policies to be introduced (see Holland 1979c). Holland's 'state capitalism' concept plays the same role. Holland's position on state capitalism changes over time in terms of its forms (i.e. its democratic content) but generally, the concept forms the core of his political economy. Holland defines 'state capitalism' as *inter alia*:

Intervention by the State to attempt to alleviate or overcome the failures and contradictions in a private capitalist system... it represents intervention in which the state itself becomes a capitalist, owning and managing enterprise (Holland 1976a, pp. 144-145).

The central role it plays within his political economy is shown by the following statement:

Socialists should not stand idly by in the face of new techniques of state management or new dimensions to the public sector under a state capitalist mode of production. They should seize and use them as instruments for the wider socialist transformation of the system as a whole. (Holland 1976a, p. 154)

This role of state is recognised too by Holland in the changed attitude of certain West European communist parties to the role of the regional bloc, the EEC. Both the Italian and the Spanish Communist Parties viewed this international organisation as an 'effective countervailance. . . [to]. . . monopoly and multinational capital (Holland 1979c, p. 214).

These statements on Eurocommunist political economy are almost perfect summaries of Holland's own position. For Holland the monopolies and

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<sup>59</sup> Useful, but not always accurate, reviews of the concept can be found in Hardach, Karras and Fine (1978), pp. 63-68; Jessop (1982), Chap. 2; Mandel (1978), pp. 513-522 and Laurence Harris (1983).

multinationals were the central obstacle in the strategy towards socialism and it is to the powers of the 'adaptive capacity of the modern capitalist state' that he turns in order to countervail them both in Britain and Europe. Moreover, he regarded monopolies not as products of the capitalist system but as failures of the market.

Thus these two very different conceptions enable the creation of two very different strategies to deal with them. The 'market failure' model requires the market to be restored, this is Holland's fundamental strategy; the 'monopolies-as-capitalist-system-product' model requires a change of system, this is the crux of my critique. The monopolies and multinationals had replaced imperialism as the main enemy of the left and this conveniently freed up the state from its political and class role as an expression of monopoly capitalism and provided the theory for it to become the 'neutral' countervailing force against monopolies, to become the guardian of the market against monopolies; thus the left social-democratic emphasis on the role of the state against MNCs.

In the theory of imperialism (as we have shown above) the state was inextricably bound up with the maintenance and expansion of the system. Separating monopolies and multinationals from the state, as Holland has done in his analysis, allowed him, like the Eurocommunists, to take a different approach to the 'modern capitalist state' and to visualise it as a means of countervailing the monopolies and multinationals in his strategy. This brings us to Holland's concept of the state.



### *2.2.7 Holland's Concept of the State*

Holland perceives the capitalist state as separable from private property relations. He considers the state to have no limits; that it can act against monopoly capital and manage its consequences. In this conception Holland is within the social-democratic tradition which tends to emphasize the independent power of the state and its ability to impose policy priorities over society (Jones and Keating 1985 p. 3; see section 2.2.6). Control of the state is, therefore, the most important task of progressives (Jones and Keating 1985, p. 3).

The notion of the state (whatever form it takes national or supranational) as a 'countervailance' to the multinationals is a common concept amongst radical IPE theorists (Payne 2005, pp. 32-35; Radice 2007; G. Strange 2006). Thus Cox considers an alternative to the hegemonic neoliberal bloc may be possible. He writes of 'the alternative of state capitalism, that is, a new corporatism with an industrial policy geared to competitiveness in world markets... presupposes the reconstruction of a historic bloc capable of creating a reasonably broad social base to sustain its policies' (Robert W. Cox 1989, p. 48). Holland shares with radical IPE theorists a similar concept of the autonomous state in relation to multinational monopolies and capitalist society (Burnham 1991, p. 90). It is a concept of an autonomous state that can be changed by democratic reform so that the power of the monopolies can be curtailed; 'it is a programme for building socialism through the extension of bourgeois democratic forms' (Wood 1983, p. 269). Not all interpretations of the state are the same, there are nuances of understanding, but many boil down to this position.

However, as I have shown above, the capitalist state is inextricably linked with private property, both domestically and globally. It is the institution which maintains and regulates the relations of private property (Clarke 1988; Holloway and Picciotto 1977; Burnham 2002; Lipson 1985). This means it maintains the dominant form of private property, the relations of multinational monopoly capital. In today's world, where capitalism (where it is dominant) exists in the form of nation-states then capital has to take a multinational form if it is to take advantage of those nation-state markets otherwise it must succumb to the methods of the early twentieth century to gain access: which is war or other forms of violence (Cassese 1988, Chap 9; Lipson 1985, pp. 119, 134, 145, and 147-153). States in such circumstances seek to ensure private property rules by other means (when it can) i.e. international organisations (e.g. WTO, EU), regimes, bilateral and multilateral treaties and rules relating to property, diplomacy, influence and economic sanctions. Also it is within the multilateral form that the various national and social class conflicts over private property are attempted to be managed. (Picciotto 1991, 1988; Cassese 1988, p. 317 ff.; Krasner 1985; Luard 1984, pp. 48-60; Lipson 1985, p. 137ff.; Ruggie 1993, pp. 3-47; Burley 1993, pp. 130-139; Garrett 1993, pp. 376-379; Panitch 1994, p. 63ff.).

It is clear therefore that if the base of both capitalism and the capitalist state are to be removed, i.e. private property in the means of production, this cannot be performed by a state that has been erected upon those principles and is organised so as to enhance the rule of private property globally and domestically; the



property relationship is ‘inherent in the very form of capitalist state power’ (Clarke 1988, p. 130; Burnham 2008, pp 62-63).<sup>60</sup>

For Holland, the stability of capitalist society and the political base of social and economic redistribution policies hang upon the role of the capitalist state (Holland 1976a; 1980; 1993). It is not surprising that generally he does not question its role in his theory, and that it remains under-theorized within his works, because for him, historically, it is the instrument that has conducted the type of intervention he supports. This view is the product of his studies in state capitalism, European public enterprise (Holland 1972a and 1974) and his Keynesianism.

It is notable that when he does subject the state to any deeper ‘class’ analysis it is because he considers the state to have fallen prey to the grip of the multinational monopolies and that what is required is to develop strategies to win the state back to its previous role in the economy. In a sense, Holland strategies look back to the ‘golden age’ of social democracy (Thomson 2000, p. 39). Holland’s politics add up simply to the outlook of reformism. It is the power of MNCS to apparently act independently of the state and to frustrate its policies and undermine the social-democratic ‘project’ that sets Holland off on his political path to try to devise the means under which they can be “managed”. His political economy exhibits one long struggle of seeking to manage the problem of monopoly capitalism which, for him, fetishises itself in the increasing power of one particular capitalist

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<sup>60</sup> An example of how the state is shaped both by domestic and global social and economic forces can be seen in Baker (2006).

institution - the MNC - over society (Holland 1976a and 1980; Alford and Friedland 1985, part II; Burnham 1999).

But in a sense Holland is chasing a chimera; for what he considers the problem, the power of MNCs, is not the real problem itself but the product of a much deeper structural development within capitalism. It is a problem for which Holland will find no solution within capitalism because the multinational monopoly is capitalism itself and today capitalism can only exist in and through its dominant form: the MNC. There can be no capitalism without multinational monopolies. Capitalism with multinational monopolies cannot exist without an anarchic form despite attempts to manage it (see sections 1.2 and 1.3 above). State intervention may manage it here or there but it can never subordinate it, as the state itself is integral in sustaining capitalism and that means sustaining multinational monopolies. There are limits, in other words, to how far the state can act against capital under capitalism (Clarke 1988; Holloway and Picciotto 1977).

Holland utilises two models of the state both in his analysis of Britain (Holland 1976a; 1979a) and of the European Community (Holland 1980, Chap.7). In the former he describes the state in Milibandian terms as an instrumental form, as a 'spender, umpire, entrepreneur and planner' (1976a, p. 16) and in the latter he has a somewhat more sophisticated concept of the state, in a Poulantzian structural functionalist form (Burnham 1995b), as a 'means for mediating the problems posed for different sections of capital and labour by the unequal and uneven development of capitalism' and supplemental to this its 'role for social cohesion



and maintenance of a particular form or mode of society' (Holland 1980, p. 129). It should be noted that in both concepts the state can be utilized for either capitalist or socialist purposes, it retains its basis for reformism, it is an 'empty vessel', depending on the balance of class or social forces (Holland 1979a, 1980; Wood 1983; Burnham 2008, pp. 61-2).

For Holland the state is defined through its social functions internally within the capitalist system by referring to either its mediating role or its cohesion function. He does not define the state in relation to its private property basis, i.e. that the state performs the role of facilitating imperialism in the global political economy. This latter definition immediately highlights the capitalist class aspect of the state in its domestic and global relations and in its power-form rather than in its facilitating-form in the circuits of capital (Burnham 2002). In contrast to the welfare-creating "social cohesive or social mediating" (or state interventionist) form (Holland 1976a, 1980); the main role of the imperialist state is to reproduce capital in the global economy not purely to sustain capitalist production within a national economy. The state function of "social cohesion" is but one aspect of the task of the state to carry out the functions of imperialism. Therefore the state of an advanced capitalist country has not just a "mediating" form in the global political economy (Radice 2000a, p. 12) but rather an "imperialist" form. It actively pursues the interests of monopoly capitalism or private property rather than passively mediating either the conflicting interests of capital or labour or facilitating the circuits of capital.

By defining the state by its “social cohesive or social mediating” role alone means that an important aspect of the state is omitted or overlooked, this is the role of the state in carrying out monopoly capitalism’s drive towards imperialism. The consequences of this omission are important for strategy; as Holland argues, if the primary role of the state is considered to be to produce social cohesion the possibility opens up of a strategy of redirecting that purpose towards socialist ends through “socialist policies” which can be utilised against, or for that matter with, monopoly capital. For it could be argued, as Holland does and globalisation theorists do, that social cohesion cannot be served by the simple dominance of monopolies over the state, it is necessary for power to be shared (See Cox quotation above). Implicit, too, is a concept of the state that is concerned for the welfare of its citizens above and beyond that of the capital relation. The state is defined not by class but by “above class” social objectives. It is but a different form of the ‘welfare state’. The class essence of the state remains hidden.

Such a definition is partial and conveniently neglects the internal and external political relations of the state: the state as the political expression of monopoly capitalist relations domestically and externally, i.e. imperialism. However if the primary role of the advanced capitalist state is considered to be an imperialist one, and cannot but be so due to its role in global capital accumulation, i.e. the reproduction of an imperialist state in the global political economy is imperative; then that state cannot be utilised fundamentally against monopoly capitalism, as it is an expression of it, both politically and socially (Mandel 1978; Carchedi and Carchedi 1999; Carchedi 2001). Social reforms serve the purposes of the imperialist state. The imperialist state cannot be used to abolish imperialism or its



foundation, private property in the means of production: it becomes a logical contradiction. Or to put it another way around: the monopoly capitalist state cannot abolish multinational monopoly capital. The state has been structured to serve monopoly capital in the parliamentary democratic era. The conclusion to be drawn is that the state has to be rebuilt from the foundations up. The concept has the implicit recognition that the social cohesion role is to serve for imperialist purposes only. The monopoly capitalist nature of the state is emphasised. .

### *2.3. Conclusion: An Evaluation of Holland views of Monopoly Capitalism and the State*

In this chapter we have outlined two concepts of contemporary monopoly capitalism and the state. The first concept, a Marxist one, presented the view that monopoly capitalism or ‘imperialism’ was a stage of capitalist development. This concept of an imperialist state was close to what might be called a ‘classical’ perspective. Monopoly capitalism was seen to derive from the competitive nature of capitalism itself. The struggle for capitalist accumulation worldwide had economic, social, political and cultural effects. It argued that monopoly capitalism had to be viewed as a whole in all its aspects but special attention was paid to its economic, political and social outcomes. Economically, capitalism, it was argued, had become an economic system dominated by monopolies. Those monopolies were the natural result of the enlarged scope of the productive forces of our age and the continued pressure towards the concentration and centralisation of production. Capital, in other words, could not but take the form of large-scale enterprises in the modern age. Capitalism could not exist, today,

without large-scale firms or in other words monopolies. There can be no return to capitalism without monopolies without the destruction of all the productive advances that have been made so far by humankind. Therefore, to support capitalism today is to support the monopoly capitalist system in all its dimensions. Likewise, due to the advance of the social processes of production the state has had to enter more and more into the economic life of capitalist states. However this involvement flows and ebbs with the strength of private capital and is never in a harmonious relationship with it but rather, through its role in legitimating the system must appear to be above class. But the capitalist state is as much a product of monopoly capitalism as imperialism.

An integral dimension is imperialism. By imperialism, it was argued, is not meant just colonies or the export of capital but rather the whole drive of monopoly capitalism to dominate through finance capital, exports, control of markets and resources, and political structures etc. as much of the global political and economic system, both in advanced and “less developed” countries as it could. In the contemporary world this has not been through formal empire as such but through the structural power of markets and regimes and through the invisible threads of finance and conditionality. A private property regime, or a regime favourable to monopoly capitalism, has been imposed (through force where necessary) on the globe which has underpinned the global hierarchy of states and the global division of labour.

Within that global division of labour the advanced capital countries have been in a privileged position. Through their ability to configure global political and



economic structures in line with their preferences they have been able to enrich themselves at the expense of the rest. This situation has been the material underpinning of the amazing advances in the economic resources which has funded the scientific and technological changes, the welfare states and the rising consumerism of many which has led to such 'affluence' and 'contentment'. In turn this has created the context of the politics of advanced capitalist countries, the ability to fund generous welfare systems and to draw in sections of the working class into corporatist systems where they support 'their' capitalism in competition or better, struggle, against the rest.

Nevertheless, that struggle for capital accumulation is restless. Capital and its state can never be satisfied. In the process, as we have described, capital has sought new forms of political organisation to advance its interests. This has taken the form of regional trade blocs in the contemporary era which have taken on more sophisticated and complex forms in certain regions where historical circumstances favour such formations e.g. the European Union. This regionalism has been a counter-tendency to enmeshing of capitalisms through globalisation. The path of regionalism does not run smoothly as it too is contradictory: interests overlap but also diverge.<sup>61</sup>

Against this picture of an integral monopoly capitalism and imperialism we have contrasted that of Stuart Holland. Holland's premises are eclectic and consequently lead to eclectic conclusions. His understanding of monopoly capitalism is restricted: he narrows it down to an understanding of industrial

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<sup>61</sup> We shall return to this theme when we examine Holland's European strategy.

structure. Monopoly, for him, is not a necessary stage in the development of capitalism but a malfunctioning of capitalism which can be rectified by state action. This concept enables him to detach the economic developments from the sociological and political. The state rather than being an integral institution to the maintenance of monopoly capitalism becomes an autonomous institution which can be used to make monopoly capitalism competitive again, or to function 'properly'. He defines the state primarily by its 'social cohesive' function which conveniently evades the contemporary advanced capitalist State's imperialist "essence". He is never clear over the state's relationship with monopoly capitalism and the capital accumulation process and therefore cannot recognise the limits of its actions against monopoly capitalism. Thus he perceives the failure of state action against monopoly capital in the 1970s not as the outcome of the systemic constraints which have to be addressed but the result of a failure of managers of the state. This leads to his emphasis on tepid reforms of the institutions of government rather than the necessary fundamental restructuring of the social and political system. This becomes his remedy for all things politically problematic: reform the institutions of government to a degree and install sympathetic managers and the result will be the capitalism's management. An example of this outlook is clearly expressed when he gives support to the European Union (chapter 5).

Lastly, it has been argued in the Marxist model of capitalism that regional blocs based on capitalism are the outcome of monopoly capitalism's development in the modern world. They are the imperialist replies to the intense struggle taking place in the struggle for capital accumulation. Holland's position is that regions



are the new means for the countervailance of monopoly capital and its mobile finance capital (see Chapter 5). These diagonally opposite political positions are yet one more fundamental difference in the understanding of contemporary monopoly capitalism.

To summarise: Holland's conceptual schema was badly flawed due to its eclecticism, incoherence and inconsistency. His economics was a mix of Keynes and Marxism; it relied on a 'power-theoretic' rather than a 'property-theoretic' analysis of capitalism. He failed to apply historical materialism and instead applied pluralist frameworks to his analysis. Multinationals were understood in the context of a framework of 'market failure' rather than that of a stage of monopoly capitalism. He did not ground his conception of monopoly capitalism within a theory of surplus value and capital accumulation but instead substituted a concept of unjust distribution of resources and an inequitable, capitalist society. His concept of imperialism was conjunctural rather than derivative of a specific stage of capitalism. His notion of the state was seriously under-theorised and a glaring weakness of his political thought. His concept of multinationals bore the imprint of American business school thought dominated by Raymond Vernon (1971) rather than viewing them within a Marxist framework of monopoly capitalism. His conception of socialist transformation was based on parliamentary strategies and neglected issues of working-class political power. Overall Holland's thinking on monopoly capitalism and the state bears more the marks of Labourism, Fabianism and reformism than it does the theories of Marx and socialist revolution.

### Chapter Three: Holland's National Political Economy and Strategy

We described in Chapter 2, section 2.2.6, how radical international political economy was divided within itself as to how to characterise the current global order. In that section two alternatives were considered: a global order conceived either as a struggle between monopolies and states or as a struggle between imperialisms. In this chapter we will utilise the debate between these two perspectives to illustrate how Holland's political-economic analysis and consequent strategy can be understood to serve very different purposes depending on which one of the above the analytical frameworks is adopted.

This chapter will discuss Holland's conception of the relationship between the British nation-state and the 'multinational threat' and his subsequent characterisation of the British nation-state as 'weak' in relation to MNCs. This position is characteristic of the states v. market arguments of globalisation theorists which treat both as independent variables (Burnham 2002, p. 122). Contrary to Holland's characterisation I portray the British nation-state as an imperial state but at the same time a 'dual' economy, i.e. an economy which is both a home to monopoly capital and a host to mobile international or global capital.<sup>62</sup> In fact, I argue, Britain was a strong imperialist nation but entangled at the same time in a web of imperialist interaction and conflict which gave Britain a specific strategic position in the 1970s. Britain's imperialist position, it will be argued, also had repercussions for its traditional domestic industrial base which was undergoing a period of transition, which came to be known as 'Britain's

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<sup>62</sup> For statistics on capital flows out of Britain and into Britain in the 1960s see Murray (1975), pp. 13-17.



manufacturing crisis.’ (Coates 1981, p. 12; Coates 1983, pp. 32-63; Coates 2002, p. 168ff.; Blank 1977) It is suggested, therefore, that Holland in arguing from nation-state v. MNC premises regarding the British nation-state in the 1970s neglected the imperialist character of British monopoly capitalism. The consequences of such an omission of analysis are discussed. In particular, I draw out an overlooked dimension of analysis in the relation between state and monopoly capital, namely private property relations, this enables me to distinguish between the circuit, and the property relations, of capital and their impact on the analysis of the state. A further discussion is also made in light of the analytical frameworks mentioned above whether Holland’s national strategy was a socialist strategy or not and whether in fact a socialist strategy in the national context is a viable option in the contemporary era.

The chapter is divided five sections: the first section (3.1) outlines Holland’s perspectives in the early 1970s and the context of his writing. The second section (3.2) summarises the model of British capitalism he adumbrated and the political-economic strategy he based upon that model. The third section (3.3) is the critique of Holland which: (i) argues that Holland’s model of British political economy does not accurately reflect Britain’s position in the global political economy. This leads to major flaws in his characterisation of the relationship of the state to monopoly capital. I juxtapose a model of imperialism to offer a Marxist view on that relationship (sections 3.3.1-3.3.1.3); (ii) asserts his theory of state capitalism fails to conceptualise the limits of state action under capitalism (3.3.2.1); (iii) questions whether a strategy for competition for markets within global capitalism under a capitalist state can be a strategy for socialism

(3.3.2.2.1-2). Lastly sections 3.3.3.1-2 question the effectiveness of Holland's political strategy. Section 3.4 discusses the issue of whether there can be a national strategy for socialism in the contemporary political economy. The last section (3.5) presents my conclusions.

No extensive attempt is made to examine the empirical arguments that Holland makes and the grounds of criticism are established mainly on a theoretical basis. The major text of Holland's used for the basis of our discussion is *The Socialist Challenge* (1976a).

### 3.1. *The Early Perspectives of Holland and the Context of the Writing of the Socialist Challenge.*

The background to Holland's national strategy (NS) consists of five elements:

(i) Holland's commitment to Europe; (ii) the economic crisis of the early 1970s as the result of the 'intensification of international competition' (Coates 1980, p. 247; (for an alternative view see: Blank 1977); (iii) the influence of European models of state capitalism; (iv) the struggle within the Labour Party over planning and state intervention; (v) developments in theories about the global political economy and its structure in the 1960s.<sup>63</sup>

#### 3.1.1 *Holland's commitment to Europe.*

Contrary to the opinion of some authors (Sassoon 1997, p. 703) Holland's commitment to Europe was present throughout his political career, although he

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<sup>63</sup> Compare Wickham-Jones (1996), p. 82.



wavered on the issue on occasion (Wickham-Jones 1996, p. 76). In 1971, before the publication of Holland's key work on national strategy, the *Socialist Challenge*, Wayland Kennet in an introduction to a Fabian pamphlet entitled *Sovereignty and Multinational Companies* wrote a declaration of his and Holland's views:

Stuart Holland and I are agreed that the best grouping to which Britain might look, as a means of restoring democratic control over production, distribution and exchange in the age of international capital, would be the enlarged European Economic Community. (Kennet, Whitty and Holland, July 1971, p. 4)

Later, in the same text, Holland outlined his credo further, it can be summarised as follows (Holland in Kennet, Whitty and Holland 1971): Holland saw the major obstacle to national and European economic progress being [US] multinationals; the response to such a 'threat' was to develop national and international strategies; he considered the central issue to be 'the development of European firms' that can compete with the [US] multinationals; the British Labour Party should consider being a member of the EEC as a means to combat [US] multinationals; economic union was a means by which EEC countries could retain some form of economic autonomy against the economic might of US business and lastly, Holland was committed to the European project as a means to counter US economic power. Membership of the EEC was a means to the goal of economic sovereignty and "control over Britain's destiny" (Kennet, Whitty and Holland 1971, p. 28).

Thus in his earliest political writings Holland had the concept of competition against U.S. multinationals as being the key political-economic issue for Britain and he considered participation in a capitalist, European regional project as the

means to build up both British and European capital in the challenge against the U.S. adversary.

His national strategy was in fact part of a European strategy. The subsequent failure of his national strategy in Britain made his arguments for a European strategy more opportune.

### *3.1.2 The Economic Crisis of the early 1970s.*

Oddly enough, Holland makes little reference to the economic crisis of the early 1970s as the main reason for his strategy. Rather than see the crisis as the product of capitalism and its class struggles, he attributes its origins to the workings of much longer term structural causes, namely the development of monopoly multinationals (see 1975, chaps. 3 and 4).

At the time there were a number of alternative analyses of the economic crisis. Val Burris (1984, p. 239) has identified four left theories: the left Keynesian underconsumption theories; the neo-Ricardian profit squeeze theories; the orthodox Marxist falling rate of profit theories and the neo-Marxist political crisis theories. Holland belongs to the first category: theories which “view the cause of economic crisis as a deficiency of consumer demand, aggravated by monopoly control over the market” (Burris 1984, p. 238) i.e. to structural changes to the mode of production. Burris associates underconsumption theories with populism and describes this as follows:

By “populism” we mean a political ideology which views excessive concentrations of wealth as the chief evil of modern society. Grounded in the class position of the petty bourgeoisie, populism attributes the economic ills of capitalism not to the system of private property per se, but to the



concentration and centralization of property, and especially the rise of monopoly. Populism calls upon the state to redress this economic imbalance by regulating or dismantling large combinations of capital and by redistributing income from the rich to the poor (Burris 1984, p. 240)

Holland espoused a classical populist analysis of the economic crisis of the 1970s and his strategy reflects both its strengths and weaknesses.

### 3.1.3 *The influence of European models of state capitalism.*

Holland was profoundly influenced by both French and Belgian state planning models and the Italian State Holding Company, IRI<sup>64</sup> (Holland 1971, pp 24-26; Holland 1972a; Holland 1974; Holland 1976a, p. 179ff.; Holland 1980, p. 66; Tsakalotos 1991, p. 73; Wickham-Jones 2004, p. 34). The policies he advocated within the Labour Party in the early 1970s took inspiration from these models (Wickham-Jones 1996, p. 59). Holland sought to transfer elements of both these models to Britain and to strengthen their efficacy through greater use of the public enterprise model (Holland 1976a). Holland was influenced by the existing state capitalist promotion of ‘national champions’ or national large-scale state monopolies. It was continental social-democratic practice (one could even say in Italian terms, Christian-Democratic practice) that he was seeking to introduce into Britain, although on more extensive terms, rather than any Marxist-inspired, socialist programme (Wickham-Jones 1996, p. 80).

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<sup>64</sup> Industrial Reconstruction Institute

### 3.1.4 *The Struggle within the Labour Party over Planning and State Intervention.*

The economic crisis of the early 1970s is recognised by Holland as providing a political and social challenge to traditional capitalist planning or the ‘combination of indicative targets and aids and incentives’ and resulting in two developments: firstly, the growth of monetarist ideas on the right as well as in the Labour Party under Jim Callaghan; and secondly, ‘democratic planning’ conceptions on the Left (Holland 1979d, pp. 1-2). His strategy falls within those ‘democratic planning’ strategy conceptions.

The national strategy devised by Holland can be considered an early version of concepts of the ‘democratic economy’ (See for example: Hodgson 1984, Bowles, Gordon, and Weisskopf 1983, Glynn, 1998, Tsakalotos 1998). The common theme of this concept is the control of the monopolies and the strengthening of the power of the state over the market economy, with some form of worker participatory measures in management combined with planning agreements which have the intention of enabling the national democratic control of industry. Making the national economy accountable to the national public rather than the multinational private companies was the principal objective of these strategies.

Holland wrote of his own strategy in 1975:

Essentially, a strategy for revolutionary reforms means transforming the basis on which economic, social and political power is organized within society. It also means an irreversible reversal of this power. It would extend and reinforce democratic processes both at the national and regional level, and in the enterprise itself. In other words, it would be a revolution within a democratic framework and not an undermining or overthrow of democratic processes (Holland 1976a, p. 158).

Holland, therefore, considered that monopoly capitalism could be managed within a capitalist state framework.



### *3.2. Holland's Political Economy of the British Economy in the 1970s and His Rationale for a National Strategy*

This section is divided into three sub-sections: the first outlines Holland's model of British capitalism and his analysis of its problems. The second outlines his economic strategy and the third his political strategy.

#### *3.2.1 Holland's Model of British Capitalism and his Analysis of its Problems*

Holland (1976a) highlighted the increasing intensification of monopolisation in British manufacturing from the mid-1950s onwards and emphasised the growing multinational character of firms active in the British economy. This combination frustrated the ability of the British national government to implement traditional Keynesian policies (Holland 1976a, pp. 74ff.). The efficacy of Keynesian macroeconomic instruments, such as exchange rate changes (Holland 1976a, p. 87ff.), exchange controls (Holland 1976a, pp. 86-87) monetary policy (Holland 1976a, p. 79ff.), fiscal policy (Holland 1976a, p. 83ff.) and regional policy (Holland 1976a, chap. 4) either had been undermined or qualified. The national social-democratic strategy of Labour, expressed through Keynesian social democracy, was threatened by these new developments (Thompson 1996a, p. 199; Thompson 2002, p. 30).

Thus Holland had a particular understanding of changes being wrought at that time in the national and global political economy. These were the premises of his

national strategy. Table 3 presents Holland’s model of capitalism which underpins his national strategy.

Table 3 : Holland’s Model of British Capitalism		
Holland’s Characterisation of the Economy	Character of firms	Character of Government / State
‘National competitive Mode of Production’ (1945 to mid-1950s)	Manufacturing firms national in size and scope; competitive national markets	Government in control of economy and dominant; successful use of Keynesian economic levers
‘Multinational Mode of Production’ (post mid-1950s)	Dominant manufacturing firms multinational in scope; and monopolies in markets	Government not dominant and not in control of economy; unsuccessful use of Keynesian economic levers; new economic levers required (state capitalism)

Table 3 illustrates how Holland’s model of capitalism rests on the assumption that there had been a dramatic change in the structure of British capitalism with the decline of ‘relatively’ competitive, national firms (Row 1) and their displacement by monopolistic, multinational companies (Row 2). As he states:

The leading firms in the private sector are now so big that they constitute monopolistic power... which, twenty-five years ago, were relatively competitive’ (Holland 1976a, p. 30).

This ‘new structure of supply’ (Holland 1979d, p. 139) meant that the power and interests of the multinational monopolies could and did come into conflict with governments seeking to improve Britain’s economic position through monetary, fiscal and trade-promoting measures. Thus, in his economic arguments, multinationals are viewed by Holland as working against the British nation-state.

The multinationals

‘challenged British economic sovereignty through their ability to undermine fiscal and monetary policy; partially eclipse exchange rate changes as an instrument of trade policy; exchequer loss, balance of payments cost and inflationary pressure of transfer pricing; and the blackmail of



multinational location if they are not allowed the regional location in Britain of their choices' (Holland 1976a, pp. 198-9).

Further, Holland argues that the economy had lost its "competitive" structure:

It was appreciated by those who supported the new planning strategies that the trend to monopoly and multinational capital had undermined the assumption of competitive national firms in the conventional Keynesian policy framework (Holland 1979d, p. 139).

What was necessary therefore, in Holland's view, to restore the command of government was the securing 'control over leading enterprise... [to make Government]... 'master of the strategic sectors in the economy' (Holland 1976a, p. 26).

It should be noted that Holland focuses his attention on manufacturing as the 'value-creating sectors' in the economy as opposed to the 'wealth transferring' sectors of finance (Holland 1976a, p. 212ff.). At first, he viewed financial institutions as largely 'negative and passive' and subordinate in importance to manufacturing (Holland 1976a, p. 212 and pp. 214ff.). Thus in his original writings on strategy, measures in relation to the financial sector are hardly mentioned. Later, he adjusts this view and outlines some measures to tackle the role of finance in a short section of his essay 'New Public Enterprise and Economic Planning' (1981b).

Thus Holland, in common with many thinkers in radical IPE, made his starting point that there was developing in the national and global political economy a fundamental 'non-coincidence' of relationships<sup>65</sup> between multinational monopolies and the advanced capitalist state. Furthermore, the economic power of multinational monopolies (or MNCs) had increased to the degree that they

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<sup>65</sup> The term 'non-coincidence' is Robin Murray's (1975), p. 58.

could undermine the policies of Keynesian social-democratic or socialist governments seeking to establish what he perceived as socialism. MNCs could utilise the global division of labour to frustrate attempts by nation-state social-democratic or socialist governments to rein them in and make them subservient to the ends of democratically elected governments (Holland 1976a, chaps.1 and 2).

### *3.2.2. Holland's National Strategy: its Elements – Economic and Political Policies*

Holland argued that his national strategy illustrated how a socialist government could deal with the transition which was taking place in the global political economy from a system of manufacturing production based within a nation-state to production being based in multinational locations (Murray 1975, p. 131). This strategy had two elements: the economic and the political. They will be reviewed in turn.

#### *3.2.2.1 Holland's National Strategy: The Economic Strategy*

Holland's national strategy, it should be apparent, was that the nation-state could be the arena of a socialist strategy. This perspective was informed by a number of assumptions:

- (i) the power of the multinational monopolies and the influence of international capitalist institutions could be countervailed by action at nation-state level;
- (ii) the nation-state had the resources and capacity, which could be mobilised, to enable fundamental economic, social and political reform;



(iii) the labour movement, with other social classes, could alter the institutional arrangements of capitalism within the parameters of the nation-state given the correct strategy; it was not bound by structural constraints (Wickham-Jones 1996).

The central aim of Holland's national strategy was:

The re-establishment of government capacity to manage the British economy... (Holland 1976a, p. 177) . . . to promote the sustained growth which has eluded governments relying on Keynesian demand management (Holland 1976a, p. 185) . . . so long as government relies on macroeconomic management alone. . . to influence the mesoeconomic leaders, it will fail to promote a higher rate of investment (Holland 1976a, p. 186).

Holland considered higher investment in manufacturing as crucial to a number of problems not least among others: (a) making industry more competitive; (b) increase in the number of jobs; (c) increase in exports; (d) overcoming Britain's chronic balance of payments problems; (e) improve the regional distribution of industry.

His strategy built on, and extended, previous Labour industrial policy measures. Thus Holland was extending and elaborating in his writings a trend in British social-democratic thought that considered the usefulness for policy development of state-sponsored, competitive, industrial monopolies (Hodges 1974, p. 68; Thompson 1996a, p. 201).

The problems posed by the opening of the EEC and the intensification of "the multinational challenge in the 1960s" (mainly US firms-DL) had given new emphasis to public enterprise. This form of "second-generation" state

intervention<sup>66</sup> (i.e the management and financing of industry as had been shown in Europe) could offset the liberalization of trade; provide counter-recessionary stimuli; ensure a more regionally balanced economy; facilitate high-risk projects; maintain effective competition in the economy, promote exports and improve the balance of payments, and deal with the MNC threat (Holland 1974, p. 31). Holland was struck by their versatility. They could make the economy more competitive. Through them the state could play a “directive rather than a responsive” role (Laux and Molot 1988, p. 21).

What was specifically original in Holland’s proposals were: the development of new public ownership of a range of British companies (Wickham-Jones 1996, p. 82; Holland 1976a, pp. 204-205) in manufacturing and finance (Holland 1981b, p. 134) – in profitable sectors which had previously been more or less untouched (Tsakalotos 1991, p. 75 ; Laux and Molot 1988, p. 17ff.). He envisaged a plural public sector (public enterprises and large-scale shareholding in other companies combined with regional and local enterprise boards, etc.) (Holland 1981b, p. 126); at the centre of which lay measures of large-scale public ownership largely through a number of new state holding companies (Holland 1976a, p. 214 and p. 216):

Essentially, no transformation will be possible unless a critical minimum of leading firms in the meso-sector is brought into public ownership and social control. On average, four to five firms control the upper half of the twenty-two main industrial and service sectors of the economy. One in four to one in five of these firms must be socialized through new public ownership and control if we are to begin the critical transformation of private microeconomics power (Holland 1976 a, p. 160; see also pp. 206 ff.).

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<sup>66</sup> Holland made the distinction between first-generation type state nationalization of the 1950s (in failing industries) and second-generation public enterprise in competitive, profitable sectors. A ‘third generation’ has been identified by Laux and Molot (1988, p. 24) where state ownership was used to ensure national participation in internationally competitive industries.



He also advocated the implementation of planning agreements with the multinational monopolies (which had been used in Western Europe) in an attempt to harness them to 'serve social and economic objectives' (Holland 1976a, p. 178; Tsakalotos 1991, p. 82). He urged new planning perspectives which would incorporate new planning methods, instruments and institutions (Holland 1981b, pp. 134ff; Tsakalotos 1991, p. 73ff.).

Notably, Holland, in passing, did accept that the shrinking manufacturing base was related to 'excessive capital outflow abroad' (Holland 1976a, p. 77 and 1979d, p. 149). However he did not develop this important argument which reveals his unwillingness to follow this line of thinking. Holland views the reason for the weakness of Britain's manufacturing base lay in development of multinational monopolies which led to a 'new concentration of economic power in the hands of a few dozen companies' (Holland 1979d, p. 140) which 'commanded half or more of the key macro-economic aggregates of the economy-output, industrial employment and assets, prices, and direct or visible export trade' (Holland 1979d, p. 140) and had the power to transfer facilities abroad rather than base them in Britain.

Holland asserted that the 'rise of mesoeconomic power has divorced the big firm from the marriage with state power' which underlay the Keynesian blueprint (Holland 1976a, p. 187). Keynesian policies had been effective through the ability of the state to influence firms. Now that influence was broken. The resultant pattern of growth was politically unacceptable (Laux and Molot 1988, p. 21). Keynesianism, for him, was the state working with competitive firms and

labour to deliver policies which led to economic growth and providing benefits to the major classes of capitalist system. This allowed the state to appear 'neutral' in Holland's eyes. However, that appearance was threatened, much to his concern, by the state's inability to countervail the multinational monopolies and therefore having to submit to their diktat which, he believed, now undermined the state's neutrality, its ability to deliver economic benefits and therefore its legitimacy. For that legitimacy and neutrality to be restored, it was necessary from Holland's perspective, to provide yet more powers to the capitalist state to enable it to challenge the strength of the multinational monopolies and thereby restore the power of national government, to enhance its power to act 'neutrally' in command of the economy and so ensure national economic sovereignty and enable 'socialist' government. Macroeconomic "tinkering" was no longer enough (Laux and Molot 1988, p. 21).

Lastly, the most radical measure, certainly in Britain, to overcome the problems of industrial conflict or what he termed the 'relations of production problem' which had manifested themselves in the late 1960s and early 1970s, there should be worker participation in the management and control of companies and in the national planning process (Holland 1972d, p. 6). Thus worker participation was incorporated into the process to lay the basis of social consensus around Holland's proposed measures.

The objective of the strategy was to guide state investment into British multinationals or 'national champions' in manufacturing so that it built companies large and strong enough to compete against rivals and serve the needs



of the British (capitalist) political economy rather than fulfil the profit priorities of overseas (at this stage, U.S.) multinational monopolies (Laux and Molot 1988, pp. 17-23; Holland 1981b, pp. 133, 136 and 140; Holland 1979d, pp. 148-149). Overall, the conception of Holland's project was not to passively concede to global constraints, and submit to US multinational competition but to mobilise the resources of the capitalist state to invigorate the domestic economy "to participate in production, exchange and accumulation on a world scale" (Laux and Molot 1988, p. 24).

#### *3.2.2.2 Holland's National Strategy: Holland's Political strategy and Analysis of the British State*

Holland recognised that this economic strategy had associated political and ideological elements.

He expected opposition domestically from the leadership of the Labour Party, the leadership of the trade unions, the civil service, big capital, and overseas from international institutions e.g. IMF, EEC and foreign powers (Holland 1976a p. 204, p. 342; and 1979d, pp. 146-148, 151, 155). He hoped, however, to minimise foreign opposition by initially bringing under state control British companies only (Holland 1976a, p. 204).

Holland's concept of the British state was of a set of institutions that was top heavy towards government and bureaucracy and that serviced big capital and marginalised the political process (i.e. parliament, political parties, and pressure groups) and labour. This "superstructure" was underpinned by a dominant

ideology of laissez-faire which hid the real power of big capital (Holland 1979a, pp. 212-219). Holland's state concept was heavily influenced by the base-superstructure models prevalent at the time.

Holland accepted that the British state would offer resistance. Holland was unclear how to characterise the state-capital relationship. On the one hand, in his economic analysis, he argued there was a rupture between the state and multinational monopolies, on the other, in his political analysis, he recognised a state connected with big business. He offered an instrumental view of the state (Wetherly 2008, pp. 109-110):

The central relationship in the modern capitalist economy is between capital and the state, and especially between big business and the Civil Service. Capital largely imposes its terms of operation on both government and labour, while the government in turn imposes its own demands – almost exclusively – on Parliament. (Holland 1979d, p. 156)

As a consequence he pressed for radical democratic reform of the parliamentary system which had the overall intention of decreasing the power of the executive, increasing the authority of the elected parliament and developing tripartite forms of democracy and government in relation to industry (Holland 1976a, p. 256 and Holland 1979a, p. 235ff.). He promoted the concept of an anti-monopoly programme to break the grip of big business and the hold of liberal capitalist ideology on the state (Holland 1979a, p. 256); power relationships could be reversed so that labour could dominate over capital (Holland 1979a, p. 232). His strategy would seek to:

Transform a capitalist mode of production and to introduce mechanisms for democratic planning, it would seek to reverse the central domination of resource allocation by capital and the state and to establish the dominance of parliamentary sovereignty and the institutions of the labour movement at the heart of the system of power (Holland 1979d, p. 156).



The ideological element Holland recognised was the requirement to shift from the dominant framework of laissez-faire values to values based on planning for social requirements. However he recognised that the arguments and campaigns for his alternative strategy would begin to open up this process of change in ideology and open up a new understanding of what was politically legitimate (Holland 1979d, pp. 159-161).

Holland's national strategy had an internationalist aspect. He believed it was necessary to build up international political organisation among left political parties and trade unions to provide solidarity actions to movements taking national action (for more on this see next chapter). He wrote:

One of the main strengths of the international trade union movement lies not only in its power to contest the action of an individual multinational company, but also in its collective strength to pressure the foreign subsidiaries of a group of multinationals if they should directly challenge the economic sovereignty of a democratically elected socialist government in another country (Holland 1976a, p. 204)

He dismissed Europe Community as an obstacle to his strategy, it was a 'paper tiger', which a national government could ignore if it so wished (Holland, 1976a, pp. 317-319).

### 3.3. *Critique*

This critique is divided into three sections. The first examines Holland's characterisation of the British political economy. The second evaluates Holland's unilateral national strategy. The third discusses the issue of the validity of a national strategy in the contemporary global political economy. The evaluation of

each is made from the standpoint of a Marxist theory of imperialism (outlined in Chapter Two).

### 3.3.1. *Considerations on Holland's Political Economy of British Capitalism*

The section is divided into three sub-sections. The first deals with the influence of monopolies in the British economy throughout the twentieth century. The second examines with the relationship between multinational monopolies and imperialism. The third examines the British state's relationship with MNCs.

#### 3.3.1.1 *British Financial Capital and Monopolies in the British Economy in the Twentieth Century.*

Holland in Table 3 presents two images of the British political economy: one, for the 1950s, where the government (or the state) is allegedly in command of the economy and a second, in the 1970s where it has lost control. However both these images of the relation of the government (or state) to the economy are questionable (Tomlinson 1982; Callaghan 2002, p. 438).

What these images conveniently provide are ideas of a sharp turn or break in the political economy of Britain which justifies Holland's position, from his perspective, of demanding new government action in a new context.<sup>67</sup> The method that Holland uses to do this is to focus on the growth of MNCs in production alone and ignoring other forms of multinational capital. Thus he is

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<sup>67</sup> Tomlinson (1982, chap. 6) has criticised Holland on this score. Much of the debate between himself and Holland turns on Holland's definition of monopoly which is a conventional one that defines monopoly by power over the market. See Chap 2, §1.3. See also Callaghan (2002): who comments that 'new phase of capitalism' idea may have been overblown (p. 447)



able to portray the British political economy as at the mercy of mainly [US] multinationals. However, this partial presentation omits the other forms of capital such as merchant capital and financial capital that helped shape the nation's political economy. Thus Lipson (1985, p. 39ff.) points out the British had been world leaders in trade and overseas capital in the 19<sup>th</sup> and early 20<sup>th</sup> centuries (see also: Gilpin 1975, p. 75ff.). Britain rebuilt its overseas investments post World War II and retained considerable political and diplomatic influence (Murray 1975, pp. 13-17; Burnham 1992, p. 259; Blank 1977; Sanders 1990 Chap. 7; Porter 1987, p. 112). Holland neglects to mention this aspect of Britain's political economy.

A second element of weakness in Holland's portrayal of the British political economy is the fact that monopolies had played a considerable role in the economy before World War II and many of these, especially merchant banks, overseas banks and financial houses had overseas interests (Feis 1965, Chap. 1: Cliffe 1983, p. 24; Cain and Hopkins 1993, Chaps. 2 and 3; Born 1983, p. 116). These financial monopolies were one of the foundations of British imperialism in the twentieth century (Cain and Hopkins 1993; Magdoff 1969, pp. 80-81; Born 1983, p. 116). Cassis (1997, pp. 35-46) points out how British banks were larger than their French and German rivals in the 1920s (Cassis 1997, p. 35; Born 1983, pp. 70-71); Britain held world financial leadership, although challenged by the US (Cassis 1997, p. 35; also Magdoff 1969, pp. 80ff.); merchant banks were influential in big business and had a "close relationship" with the state (Cassis 1997, p. 36). British big business dominated in certain sectors and immediately after the Second World War these overtook their German counterparts. Thus

British big business was already strong before the 1950s, it was active overseas, and was influential over government. Cassis (1997) concludes:

British big business had reached a full-blown, mature stage a generation or two before Germany or France. (Cassis 1997, p. 46)

Moreover, big business had gained from the help of state intervention and protection (Cassis, 1997; Tomlinson 1994, Chaps. 5-8)

Whilst there may have been an intensified development of monopolies and multinationals in the British economy in the 1950s and '60s their existence in the British economy was not new (Jeremy 1998, p. 256; Hannah 1976; Cassis 1997; Corley 1994; Bostock and Jones 1994). As Jeremy points out they both had been in existence before the 1950s and their impact on the economy was influential (Jeremy 1998, pp. 200ff. and 235ff.; Cassis 1997, pp. 35-46).

More data on MNC activity in Britain over the twentieth century has recently come to light (Jeremy 1998, p. 235) which of course Holland would have been unaware thus perhaps leading him to an understanding of discontinuity rather than continuity. However other thinkers and politicians of left political parties had long been critical of the influence of monopolies in Britain despite the paucity of official statistics (e.g. Thompson 1996a, Chaps. 9 and 10). Nevertheless the highlighting of the prolonged trend within British capitalism of both the influence of British monopolies, British multinationals operating overseas and the presence in Britain of overseas multinationals, especially US MNCs, throws a different light on British monopoly capitalism in 1970s.



Thus Holland's concept of a Keynesian government working with small, nationally competitive firms is a myth: the economy of Britain had been for some time populated with big and small businesses, some operating solely in Britain whilst others operated worldwide. Far from the situation being one of novelty what in fact was occurring was an intensification of a trend within capitalism that we have already indicated: that British capitalism was embedded within economic relations which were imperialist in nature (i.e. financial, trading and manufacturing monopolies with overseas interests) and which government or state policies had actively cultivated and promoted over the whole twentieth century (Cain and Hopkins 1993; Lipson 1985, p. 39 ff.; Nabudere 1977, p. 192; Magdoff 1969, p. 80). In other words, the British state had acted as a home state to further the interests of British multinational monopoly capital.<sup>68</sup> Britain was an imperialist nation and this undeniable reality shaped its political economy. The British imperialist state was not being weakened by MNCs as Holland claims but had in fact, through various governments, including the era of Keynesianism, fostered their growth (Blank 1977; Sanders 1990, Chap. 7). The state, therefore, was an architect of the British political-economic dilemma of the 1970s and not a victim of it as Holland suggests (Panitch 2001, p. 374; Barrow 2005, p. 123).

### 3.3.1.2 *Multinational Monopolies and Imperialism*

Whilst Holland recognises that multinational monopolies played a crucial role in the economy, especially in the manufacturing sector, and makes them the focus of his strategy he fails to draw out the full significance of their role in the British

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<sup>68</sup> For a definition of 'home' and 'host' states see Chap. Two.

and global political economy. He perceives Britain as a host to multinational capital (specifically an increased US presence; Holland 1971) rather than a home. He overlooks this dual nature of the British political economy (Murray 1975, pp. 13-17). This point is close to Poulantzas (1974) but not quite the same (see also: Panitch 1994, pp. 66-67). Whereas Poulantzas argues for a dual nature of the political economies in relation to the US he does not recognise sufficiently enough the fact that Europeans national imperialisms, particularly British imperialism, sought to act independently of the US. The position taken here is that British imperialism although weak (compared to the US) was seeking to challenge US power and finding its niche in the global capital accumulation (Blank 1977, p. 680; Burnham 1992; Martel 2000; Murray 1997, p. 74 ff.; Curtis 1998 and 2003, p. 5; Foster 2004, p. 175-177; Gifford 2007, p. 465ff.).

The significance of Britain as a home to multinational capital is the role of the British state in reproducing British imperialism in the global political economy (Warren 1975, p. 135; Murray 1975, p. 70; Curtis 1998). Martin Spence (1985) has brought this feature out clearly:

There is a danger of forgetting something which is central to any understanding of British history . . . a home-truth which may be painful but must be faced. Britain is an imperialist power. The very structure of British capital is founded upon its imperialist status. Britain is, in fact, the second most important imperialist power in the world, after the USA. Any analysis of this country's economic crisis, and the options facing the working-class movement, must start from this obvious, but apparently easily-forgotten, fact (Spence 1985, p. 117).

Within the complex of global economic relations Britain held a critical role which resulted in a distinctive economic structure. Due to this specific development of British imperialism the financial sector gained a special influence over the political system: more so than in other countries (Magdoff 1969, p. 81; Hirst and Thompson 2000b; Blank 1977; Gilpin 1975, pp. 85-97; Coates 1983, p.



40ff.). Likewise the British economy become bound up with the fate of US imperialism, the mainstay of the global capitalist economy, and the hegemon which ensured its open nature and the wheels of trade, and hence finance, turning (Spence 1985; Curtis 1998). A British-US economic alliance, although incorporating tensions (not least the power of U.S. MNCs), became the foundation of the political 'special relationship' (Blank 1977, p. 680; Martel 2000; Curtis 1998). The 'City' was important to global finance, as Spence (1985) states:

The City's role in the 1980s is not so much about servicing British capital in particular, but rather about servicing the imperialist world system in general. But at the same time, the City's earnings are crucial to the viability of the UK national economy.

Further, he adds:

The role of the City should not be allowed to obscure the continuing importance of foreign direct investment by British-based industrial MNCs (Spence 1985, pp.122-123).

In Holland's major work on national strategy, *the Socialist Challenge*, there is only a briefest mention of British capital export and significantly, without deeper analysis, this is restricted to its deleterious effects on manufacturing industry. It gets a one line mention, too, in 1979, when Holland comments:

there was a shrinking manufacturing base related to excessive capital outflow abroad (Holland 1979d, p. 149)

However, there is no expansion on its significance and relevance to Britain's imperialist role in the global political economy.

The first real occasion Holland attempts to tackle the issue of the power of financial capital is a chapter written as an afterthought to his main strategy

written some six years later in 1981. He notes in the chapter that more than ‘eighty-five per cent of the finance’ the stock market raises is invested abroad (Holland 1981b, p. 129); also private finance in the form of pensions and insurance funds seek ‘foreign investment’ (Holland 1981b, p. 130). He called for the ‘extension of public ownership into the finance sector’ (Holland 1981b, p. 132) which is to his merit. However, he fails to emphasise the role that financial capital plays in the structure of contemporary British imperialism.

Thus Spence’s analysis throws a different light on Britain’s manufacturing crisis in the 1970s. The causes of such a crisis, in this analysis, was the outflow of British capital, under the control of British multinational companies, to further British imperialism rather than being the result of the nebulous MNCs acting against British capitalism which informs the approach of Holland. It challenges the ‘competitive weakness of British capitalism’ thesis that was so prevalent in the labour movement in the 1970s and ‘80s (Coates 1981, p. 3). British imperialism’s competitiveness, especially manufacturing, had declined due to capital export, relative to other imperialist states, but British imperialism (both finance and manufacturing) was still powerful and dynamic and sought to reinvigorate itself (especially in the field of manufacturing exports) at the expense of the labour movement at home and abroad and its capitalist rivals (Coakley and Harris 1992, p. 39; Albo 1994 p. 168). Thus Holland’s call for increased manufacturing exports highlighted a problem created by British imperialism.<sup>69</sup> A problem it could resolve in the late 1970s or early 1980s either by further state-capitalist intervention and politicised management *à la Holland*

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<sup>69</sup> Holland was aware of the impact of British capital export on manufacturing (1973).



(but which raised the spectre of an increasingly politicised working class) or through an assault on working class conditions and living standards through ‘depoliticised’ management *à la Thatcherism and monetarism* (Burnham 1999, pp. 42ff.; Albo 1997, pp. 19-20).

Significantly, too, Holland fails to highlight the impact of imperialism on the structure of the domestic political economy. Its orientation towards militarism and the sponsoring of military and ‘defence’ industries; the rise of the service economy rather than a manufacturing economy: an economy dependent on the financial sector; and the influence and role of the City of London within the economy and on the state as a whole.<sup>70</sup> All in all this structure of the British economy is neglected or barely mentioned. A brief mention of the military-industrial complex is made in his article ‘Militarism, monetarism and multinationals’ (1981a) but he does not follow his logic through and link that complex with the political economy of British imperialism. The need to break with the political-economic edifice of imperialism domestically and overseas is not stressed enough. The object of socialist strategy, surely, is to *end imperialism* rather than restore further a ‘weak’ British manufacturing sector (which is one element of imperialism) against its rivals

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<sup>70</sup> For details on such relationships see John Scott (1991) p. 151, who gives an instrumental analysis of the British state: “As the dominant segment of the capitalist class (i.e. finance capitalists –D.L.) in Britain, the inner circle plays a key role in articulating capitalist interests within the power elite. They are the planners and co-ordinators of the economy. Through their political participation, their informal contacts with the state, and their role in lobbying and party finance, they translate the City point of view into a dominant influence over state policies. . . (their) members are disproportionately represented in the power elite which rules the state apparatus.”

Although Holland is aware of how British MNCs and British 'aid' exploits Third World countries (Holland 1976a, Chap. 14) he does not address at any point in his works Britain's overall position in the imperialist system. The absence of a structural analysis of imperialism and its impact, both domestically and overseas, in Holland's national strategy, combined with policies to boost Britain's domestic economy - the base of British imperialism - can only make Holland an unwitting and rather naïve advocate of the continuation of British imperialism globally.

In contrast to Holland's model of British capitalism we have characterised Britain in the 1970s as a strong imperialist state (although weakening in relation to others) acting on behalf of the monopolies extending their reach the world over, accelerating the export of capital, in competition against other imperialist states.

#### 3.3.1.3 *The British State's Relationship with MNCs*

Holland portrays the British's state's relationship with MNCs as a host state and gives the impression that the British state's position is one of weakness in terms of policy implementation and economic sovereignty. The central issue for him is not labour exploitation but power and sovereignty. This has a resonance with state debates in international political economy where a similar characterisation of the state is made (Held 1988; S. Strange 1996; Burnham 1999, p. 38; Berger 2000; Payne 2005, p. 32; Stubbs and Eaton 2006, pp. 371-375). Holland's methodology here is to view the relationship between 'states and markets as external and contingent' rather than working from a Marxist position of regarding



them as ‘internal and necessary’ (Burnham 1999, p. 41). Holland’s portrayal of the relationship is limited on a number of counts.

The first, as discussed above, is that Britain remained an imperialist power in the 1970s and relied on its global financial operations for its wealth and power. This position in the global political economy required the British state’s support (Gifford 2007 pp. 465-467; Ingham 1984; Overbeek 1990; Curtis 1998, pp. 17-24). The state and the monopolies (banking, financial and industrial) acted together to promote British financial and industrial interests i.e. imperialism (Cain and Hopkins 1993, pp. 267-268; Scott 1991; Curtis 1998, Chap. 1).

The second is more complicated. In the 1950s and 1960s Britain could no longer hang on to its formal empire and decolonisation was in process (Cain and Hopkins 1993, Chap. 11; Martel 2000; Curtis 1998). Moreover, the power of the US, especially its multinationals was clear (as is evidenced by Holland’s credo in 1971 above; Holland 1980; Poulantzas 1974; Goldstein 1976). This created a dilemma for the British ruling class as to how should ‘Britain’s interest’ best be served? Compared to the US and its multinationals and Britain’s former position in global capital accumulation, Britain was weaker. This situation thrust Europe to the centre stage of British politics as a strategy to improve Britain’s position (Gifford 2007, p. 465ff., Martel 2000; Porter 1987, p. 124ff.). This situation was discussed on the left (Barratt Brown 1972a; Kennet, Whitty and Holland 1971; Mandel 1970; Rowthorn 1971; Radice 1971; Murray 1975; Warren 1975; Holloway 1976). A centrepiece of the debate was an assessment of the comparative strength or weakness of the British state in relation to MNCs.

Holland's position, which was similar to Rowthorn, argued that for certain sections of the British bourgeoisie the British state's power was too weak as a home base and that Europe offered an alternative (Rowthorn 1971, p. 49).<sup>71</sup>

Warren argued the opposite: the power of the nation state in relation to large firms was greater than ever before (Warren 1975, p. 138). The state played a powerful role in support of industry (Warren 1975, p. 138). He challenged the notion that interdependence weakened the national capitalist state; a thesis, which he stressed, could not explain the increasing rivalry between the USA, Japan and Europe, as well as lesser conflicts between Europe and Britain. These rivalries reflected struggles of strength over capital accumulation rather than meek passivity in the face of economic interconnectedness. Warren perceptively pointed out that

The danger of the thesis that 'the national state is weakening vis-à-vis international firms' is that it may lend credence to the reformist belief that the capitalist State could have interests different from the national capitalist economy and society as a whole and may thus have to be defended against the cosmopolitan monopolies (Warren 1975, p. 140).

This point applies precisely to Holland. By drawing a picture of a 'weak state', a state separated from the monopolies and threatened by them, Holland creates the political space for his strategy of state capitalism and his European strategies. Holland seeks to 'restore' the powers of the state to counter MNCs. This concept is the fundamental underpinning of all his strategies.

This is connected to a third point. Underlying Holland's argument is a model of a self-contained economy which could be managed to sustain the goals of social democracy. However this model was fanciful. The British imperialist state was

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<sup>71</sup> This perspective of Holland's became more developed after 1979 and the failure of Labour's AES. See next chapter.



never self-contained, perhaps more than any other advanced capitalist country it had relied for its quality of life on its role in the global accumulation of capital (Magdoff 1969, p. 81; Cain and Hopkins 1993; Curtis 1998). Thus Britain's fortunes were tied to the world economy (Gifford 2007, p. 465; Hirst and Thompson 2000b, p. 337ff.; Cain and Hopkins 1993; Porter 1987; Curtis 1998). MNCs were but one aspect of that involvement in global capitalism. The Keynesian macroeconomic policies could never completely regulate Britain's role within global capitalism. They were sooner or later to be found short just as state intervention was in Europe in the 1970s (Holland 1980, Chap. 4; Foreman-Peck and Frederico, 1999.). Capitalist governments are permanently in weakness in relation to the capitalism they seek to manage, they are confined by the limits of the state within the contradictions of monopoly capitalism (Clarke 1988). Thus the problems of MNCs were not a cause of sovereignty loss but merely another manifestation of the problems for the capitalist state residing in the operations of capitalism (Coates 1980, p. 146 ff. and p. 161; Magdoff 1976, p. 216).

### *3.3.2 Considerations on Holland's Economic Strategy*

The argument of this section is that Holland's strategy was not socialism but a more radical continuation of a Labour tradition of capitalist state intervention in industry and the acceleration of 'national' state monopolies in the economy.

Desai quotes Holland on his strategy:

"The arguments did not come from a left perspective, it had nothing to do with... Clause Four... rather they came out of the actual experience of government at a fairly senior level, a critical evaluation of that in relation to European experience ... we could have regenerated the National Plan. (Desai 1994, p. 159)

As Wickham-Jones remarked the objectives of the strategy were ‘ill-defined and open to interpretation’, contemporaries could not be sure whether it was about ‘socialist transformation or a renovation of capitalism’ (Wickham-Jones 2004, p. 42). This very ambiguity raises doubts about the socialist nature of Holland’s project.

This section is divided into two sub-sections: the first deals with the scope and limits of state capitalism; the second deals with the problems of his economic strategy. This is further divided into two parts: one deals with the implications of competition in the global market; and the second deals with the problems of the adherence of public enterprises to social criteria in the operations in the global market.

#### 3.3.2.1 *The Scope and Limits of State Capitalism (SC)*

Holland was unclear in his definitions of state capitalism. Holland, sometimes, did try to distinguish his strategic conceptions from state capitalism in his early popular works (1976a; 1975). He termed his policies “socialist” rather than “state capitalist” (1976a). He did this by narrowly defining state capitalism which enabled Holland to claim that state activity which went beyond those limits was ‘socialist’. Thus in his work ‘Strategy for Socialism’ (1975) which popularized his ideas among the labour movement he narrowly defines state capitalism as the ‘State intervening to do those jobs which private capitalism will not do’ which opens wide the areas where the state can intervene in profitable industries and which he can label ‘socialism’ thus making it more appealing to labour



movement activists. However in the *Socialist Challenge* he defines it *inter alia* as:

Intervention by the State to attempt to alleviate or overcome the failures and contradictions in a private capitalist system. (Holland 1976a, p. 144)

A definition so broad it encompassed more than just state intervention with limited scope. However what is clear is that in his national strategy he did envisage a state-based challenge to what he saw as ‘monopoly’ capitalism.

Holland wrote of SC in terms of “command”, “control” and “mastery” over the economy (see section 2.1 in this chapter). He regarded SC as an instrument to undermine the autonomous power of multinational monopolies within capitalism and to overcome capitalism’s contradictions. Therefore, Holland does not consider the state constrained by external forces. He would distinguish himself from the ‘hyperglobalists’ (Held, McGrew et al, 1999, p. 3ff.) who argue that the nation state’s day is just about over. Holland, in this phase of his political thought, would be held to be more in the ‘sceptic’ camp (Held, McGrew et al, 1999, p. 5ff.) in that he holds that the nation state still has power to command economic affairs. The power of the MNCs are not such that the nation-state is powerless to address them (Wade 1990; Weiss 1998) It is this outlook which embodies the attractiveness of such a strategy to the left, as it appears to offer the means to both manage capitalism and provide for the reform of capitalism into socialism (Coates 1981, p. 5). The central assumption of both strategies is the belief that the state can be won to manage or control the workings of monopoly capitalism in some fundamental way. I have already commented on this assumption in Chapter Two (section 2.2.7).

Socialist and social democratic parties in Europe and Canada have regarded state enterprises in key industrial sectors “as decreasing the social power of private capital” and that such enterprises will

“ease the transition to a socialist mode of production by lessening areas of direct confrontation with the bourgeoisie and by enlarging the scope of resources immediately available to a governing socialist party attempting to launch a planned economy” (Laux and Molot 1988, p. 17).

SC is expected to fulfil other management functions too: to moderate the capital-labour relationship through industrial democracy; to redirect the profits of state enterprises to non-capitalist purposes; and most importantly, they project the possibility of an alternative to capitalist methods of production (Laux and Molot 1988, p. 17). This perspective envisages state enterprises competing with private producers and pursuing profits over time. Laux and Molot’s (1988, p. 24) view is that they offered governments the means to develop national industries in the circumstances of competitive international capitalism under conditions of developing integration and interdependence. In other words, state enterprises participate in the functioning of the capitalist economy and either can be used to restore its competitiveness and enable economic growth upon which social policies can be provisioned (Albo 1997, p. 16; Radice 2000a; De Martino 2000, pp. 160-161) in addition they can be considered a step in the transition to socialism (Coates 1981, p. 5). Holland’s position, at times, seems to be close to both these perspectives.

However, there are more critical approaches from within Marxism to SC. These perceive SC as a means of state support for private capitalist accumulation and therefore sustenance for the capitalist system. There are a number of different



Marxist theories to explain this. Some Marxists regard SC as a switch from one mode of state intervention, “allocation”, to “production” in the context of the state’s role in sustaining the conditions of accumulation (Laux and Molot 1988, p. 16). New forms of intervention, as Holland advocated, are seen by some, as one expression of a new stage of capitalist development as in SMC<sup>72</sup> theory (Fine and Harris 1979, Chap. 8; Mandel 1978, p. 513 ff.). Warren views capitalism’s survival as dependent on such intervention (Warren 1975). Others have seen in SC an attempt to ensure capitalist superprofits (Mandel 1968, pp. 501-2). The Marxist position on SC, therefore, has perceived it as another instrument to maintain the capitalist system. Marxists have argued that SC theory fails to recognise the integral relationship of the capitalist state with the capitalist system and in particular the limits on state action (Mandel 1968, p. 498ff.; Holloway and Picciotto 1977, p. 76, p. 83, pp. 94-95). The social democratic under-theorisation of both the state and capitalism results in an over-estimation of the capacity of the state to manage capitalism. This is the viewpoint that is adopted here in relation to Holland.

There is much in Holland’s writings that justly can be incorporated into a socialist strategy. A state holding company, nationalisation in the form of public enterprises, planning agreements, industrial democracy, etc. can all, under very specific circumstances, be considered as weapons in the armoury of a socialist government in developing a flexible approach, as there must be, to building a socialist political economy in Britain (Breitenbach, Burden and Coates 1991, p. 51).

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<sup>72</sup> State Monopoly Capitalism

It is the contention of this thesis, however, that there is a fine, but important, line between using those measures for the ends of restoring state-managed, 'competitive' monopoly capitalism or for the ends of embarking upon the building of a socialist economy and society. The fine line ultimately is the political context in which those measures are used. Some of the measures proposed by Holland, without a participatory socialist state, could just as well be used by an existing capitalist state for the ends of aiding capitalism as he in fact proposes (as the European examples of state capitalism illustrate). If the attempt is made to use them for socialist ends within an existing capitalist state in a globally competitive market the result would sooner or later lead to debacle and disaster as international experience (France in the early 1980s) has shown and as Holland recognised in later strategies (Holland 1983, 1984, 1986; Ross and Daley 1991, pp. 129 -136).

Holland recognised that there were limits to state capitalist industrial policies within an open, capitalist economy. Those limits were both economic and political. One economic limit was the possible economic reaction abroad to such a policy (D. Coates 1981, p.10; 1980). Hence, the radical international dimension to his national strategy where he sought support from like-minded labour movements and governments to counter the threats of the withdrawal of capital. In his later works (Holland 1986, 1983) he came to renounce unilateral state capitalist measures on the grounds that, given the mobile nature of capital and the interdependence of capitalist economies, a unilateral strategy of industrial intervention would have to overcome (a) the limited nature of a state's resources



in struggling against international markets and (b) the international repercussions of such a policy. The primary economic limit to state capitalism was, therefore, the willingness of capital to cooperate with his plans and if he sought to compel compliance, the problem could be further capital flight from Britain, a situation which his strategy sought to prevent (D. Coates 1981, p. 11; Albo 1997, p. 24). The political limits we have discussed in Chapter Two, section 7 and we will return to this point below.

Furthermore, the limits to state capitalist strategies of industrial intervention and planning were revealed in the 1980s when industrial policies and planning measures were abandoned by social-democratic governments, particularly in Europe. The reasons as to why they were abandoned have been debated: some have attributed the reason to the rise of the idea of neoliberalism (De Martino 2000, p. 161), some to the role played by the global market (Hayward 1995, p. 6; Panitch 1994), others to the role of a realisation on the part of state officials and big business of the need for a European strategy rather than a national one (van Apeldoorn 2002, p. 70) and some to the growing power of multinational capital (Holland 1980, Chap. 4.). The common theme among the arguments is the power of monopoly capitalism to frustrate the state when it so wills. As Holland commented state capitalism worked when the big bourgeoisie in Europe were weak after the war but once they became strong again they resisted certain forms of intervention by the state (Holland 1980, Chap. 3, p. 61).<sup>73</sup>

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<sup>73</sup> Monopoly capital, it should be stressed, relies heavily on the state, despite the ideology of neoliberalism. See, e.g.: Anderson, Gutmanis and Anderson (2000); Gilpin (2001), Chaps. 5-13; Jones (2000); Pierson (1996), Chap. 4.

### *3.3.2.2. Problems of Economic Strategy*

This is divided into two sections: the first deals with general issues of a market-creating strategy; the second deals with the problems of the institutions that Holland proposed in his strategy.

#### *3.3.2.2.1 Competition in the Global Market*

Holland accepts the open global market and the operation of MNCs. He recognises too the role of the EC in maintaining markets in capital, goods, labour and services. Holland was mainly concerned with developing companies in Europe strong enough to compete with US multinationals. His supply-side strategy emulates European strategies whereby the state attempts to both regulate and reinvigorate capitalism through new public enterprises and other institutions. Thus his strategy is to make the state more competitive, to adopt strategies of the competition state. The impetus for this, in our analysis, comes from the driving forces of monopoly capitalism and imperialism, not from the product of ‘multilevel games’ within the globalization process according to globalization theorists (Cerny 2006, p. 377). Holland’s state restructuring policies in my model are driven by the imperatives of capital accumulation which acts as both a constraint and as agency (Burnham 1999). The logic of Holland’s strategy is to follow the competitive logic of the global capitalist market.

Thus his strategy is a model for social democracy in an open economy; an economy, however, which was not similar to the European economies after the



war where constraints on the mobility of capital prevailed (Albo 1997, p. 25).<sup>74</sup> In this model the role for new public enterprise is to curb the negative effects of multinational monopolies on, and to strengthen the competitive power of, the British national economy (as opposed to British firms overseas) within the inter-imperialist competition of the global political economy. The result of Holland's policies would be a more dynamic manufacturing base, economic growth and an improved position in world markets (thus in the process ousting rivals from those markets). Albo termed these policies as social democratic strategies of 'shaped advantage' (1997, p. 15). Holland appears to be a social-democratic precursor of such a strategy. What made his model of 'progressive competitiveness'<sup>75</sup> (Albo 1994, p. 149; Panitch 1994, p. 81) in his national strategy different from later models was that it was still associated with 'social transformation' and changing the balance between 'public and private enterprise' (Thompson 1996b, p. 42).

Whether such a competitive model could be the basis for socialism is open to debate. There are a number of criticisms that can be made of Holland's project. Firstly, Holland seeks to stimulate Britain's manufacturing base through competition as a means to reduce unemployment however there is no guarantee that increased competition will reduce unemployment. Competition could increase the technological input into productivity increases and not therefore lead to employment increase at all. Planning Agreements could be used to remedy the

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<sup>74</sup> Albo (1997) mentions other possible models: the 'shared austerity' model (p. 17) and International Keynesianism (p. 17) which we examine in Chapter 4.

<sup>75</sup> De Martino (2000, p. 162) has defined 'progressive competitiveness' as: 'the promoting the prosperity of workers... as a central goal of a nation's economic policy and the achievement of this goal... requires the enhancement of national competitiveness. Panitch (1994, p. 82) defines it as "labour and state ... take the initiative and seize the hand of business in making the running towards competitive success. Usually the term is used in the more restrictive sense of state support given towards high-tech, high-value added/ high wage production'.

problem but it would require increasing interference in the business decisions of the private sector and result in the unwillingness on their part to remain in Britain (as long as capital mobility is unconstrained). Also it assumes the capacity for an increase in trade which in turns relies on overseas markets, but in the conditions of anarchic capitalism this cannot be guaranteed (Albo 1997, p. 18).

Secondly, Holland's policy requires a radical reconstruction of the relationship between the state and private businesses. This, as he recognises, will run up against opposition from a variety of sources, he does not make clear how that opposition is going to be overcome other than by institutional reform of parliament, which in turn raises the problem of political mobilisation. There is no mention in his works of how to go about generating mass struggle; he appears to rely on influence and parliamentary pressure. The Labour Party was not a party geared for such struggles (Albo 1997, p. 20; Miliband 1961; D. Coates 1981; 1982). This element of his strategy is particularly flawed.

Thirdly, Holland takes no account of how the competition he wishes to generate in the economy will impact on the working class and its own internal relations. The assumption is that workers will benefit from increased prosperity and jobs. However, the competition between the state-backed public sector and the privately-resourced MNCs could well lead to conflicts over wages and conditions. His attempts to integrate the labour movement in tripartite institutions would provide no remedy for labour discontent that could result from domestic competitive pressures on wages and conditions. This would be especially the case if those pressures were reinforced by participation in the global division of labour



as he envisages (Albo 1997, p. 20). Also workers involved in “politicised” institutions of management could create in turn a politicised working class; regarding the state rather than the market as a cause of their problems (Burnham 1999).

#### *3.3.2.2.2. Criticisms of Holland’s Strategic Instruments: Public Enterprises, Planning Agreements*

Holland does not specify clearly enough how the new institutions within his national strategy i.e. new public enterprises, the holding company, the planning mechanism and institutions could be effectively controlled within a remit of social criteria rather than maximization of profit. They might well become the site of new class struggles over public interest versus profitability (as he was aware, Holland 1983, p. 121; Williams 1982). These are not insuperable obstacles but consideration needs to be given to their resolution. The dilemma is doubly so if the determination of such priorities is made within the overall parameters of capitalism. Through participation in the global market these new enterprises would become subject to the pressures of capitalist accumulation and these pressures would have to be counterbalanced by some form of institutional embedding within mechanisms of popular accountability (Williams 1982; Breitenbach, Burden and Coates 1991, p. 51; Holland 1983, p. 121). Moreover the public firms’ impact on the private sector does not appear to have been thought through. Important here is to what degree would public enterprises increase rather than decrease the tendency towards oligopoly or cartels?

There is also the relationship of the enterprise's relationship with the state. As these public enterprises entered the framework of the global market they would require the capital resources of their rivals, they would need to enter global markets (to justify their scale of production), they would borrow on capital markets, make joint deals with other firms over markets, become obliged to other states; what principles would guide them in these issues. It has been noted by Feigenbaum (1982), Jones and Keating (1985, p. 97); Holland (1983, p. 121) and Foreman-Peck and Frederico (1999, p. 445) that such state enterprises might act according to the same principles as private firms in their operations in the market rather than by state or social criteria.

Overall, one cannot but conclude with Coates (D. Coates, 1981, p. 10) that they mark a halfway house project. On the one hand, they are an attempt to overcome the problems of capitalism through state intervention, they are a 'statist' answer to global capital accumulation struggles; on the other hand, they are not sufficiently embedded within new political forms of state and democratic accountability that would be strong enough to counterbalance the pressures towards capitalist criteria the management of such companies would encounter (D. Coates 1981, p. 11).

### *3.3.3 Criticism of Holland's Political Strategy*

Holland's left-leaning labourism<sup>76</sup>, leads to a weakness in the sphere of politics, where he still works within the premises of the liberal capitalist form of state and

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<sup>76</sup> For definition, see Burnham (2008), p. 52.



with no acknowledgement of the imperialist nature of the British state. Buoyed by the conviction that Keynesian social democracy was the assertion of working class power within the state it was but a small step to consider the ending of Keynesian policies as a loss of power for the working class within the state. The state was viewed in an instrumental rather than a structural relationship with capital (Burnham 2008, pp. 52-53). This premise allowed Holland the belief that the capitalist state could be recaptured for ‘socialist’ ends. His political analysis and strategy which is full of inconsistencies requires examination.

We will criticise two elements of his political strategy: first, his understanding of the relationship between monopoly capitalism and the state; and second, his understanding of the role of the Labour Party.

#### *3.3.3.1 Holland on the Relationship Between Monopoly Capitalism and the State*

One of the central problems of Holland’s political analysis is the nature of the relationship between monopoly capitalism and the state. This has been discussed in Chapter Two, section 2.2.7. There is one element, however, which does need some further discussion and bring us to one of the distinguishing points of this thesis. On the one hand, Holland argues that MNCs are separate from the state and opposed to its interests. On the other hand he argues that the central relationship in the modern capitalist economy is between capital and the state (Holland 1979a, p. 256) . Why does he argue these apparently contradictory positions which he never satisfactorily resolves? Holland is here tussling with one of the central problems of contemporary international political economy. Big

business appears in two guises: dominant over the state, yet not of the state. This contradiction has to be explained dialectically. The state expresses the monopoly capital relation in society, to sustain capital is to sustain monopoly capital. Yet monopoly capital is now multinational, in its circuits of production and realisation, territorially it has moved beyond the state's national form (Murray 1975). Thus it appears to be beyond the nation-state. It appears to act, and does act on occasion, against the territorially-bound nation-states' interests (Strange 1996). However, there is another aspect of capital which is its property relation. Ownership of MNCS, despite the increased tendency to interpenetration of capitals especially in Europe, still remains largely territorially bound (Wade 1996, pp. 73 and 79ff.; Ruigrok and van Tulder 1995, Brewer 1990, p. 264, Magdoff 1976; Warren 1975). The property relation, as we explained in the previous chapter looks to a state to sustain it (Murray 1975, p. 64). Therefore the nation-state expresses the interests of MNCs overall.<sup>77</sup> Thus MNCs are both of the state (the property relation) and beyond the state (the circuit of capital relation), thus the contradiction which Holland identifies but is not able to explain. Obviously that property relation does not have to be fixed on a *nation-state*; it is quite possible for it to be sustained by another state (e.g. Europe) if such a supranational state existed. But all private property relations require a state in some form to sustain them (Engels 1968).

Furthermore, this contradiction also explains the difference between my interpretation of the national political economy and Holland's. Holland focuses on the circuit relation and emphasises the beyond nation-state character of

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<sup>77</sup> Of course, other classes' interests have to be taken into account but within the overall context of the maintenance of capitalism.



MNCs; I focus on the property relation of MNCs and stress the imperialist nature of both MNCs and the nation-state.

### 3.3.3.2 *Holland, Parliament and the Labour Party*

It is clear that at the centre of Holland's political strategy is the restoration of the power of an elected parliament over the executive. Yet no analysis is given as to why the executive has become so powerful in liberal democracies. Is it because monopoly capital finds it easier to bring pressure to bear here than on any other part of the system, and that the executive's power is so critical to policy formation and implementation? (Holloway and Picciotto 1980, p. 144) The restoration of parliamentary dominance alone will not provide the means whereby participative working class power or socialism can be established. It will provide only the means for a renewed development towards party and executive power - as it has done so over the last century. Institutions of popular power which involve participation (except industrial democracy) and not just election are not promoted in Holland's strategy (for debates see, Pierson 1986, Chaps. 2 and 3; Townshend 1996, Chap. 7). This in turn would lead to the problems I pointed out above about the struggles concerning the political-economic priorities of state industries in a market. Those institutions would require embedding in a framework of working class power to help enable a proper accountability and scrutiny of their activities and responsibility in their service to ordinary working men and women.

This, in turn is related to the fact that Holland does not value the need for extraparliamentary political organisation within his analysis. It is precisely because he envisages political change in parliamentary terms that he can pin his hopes of political agency on the Labour Party.<sup>78</sup> For him, it is the inner-party struggle within that organisation which is so crucial (Coates 1975, chap. 7). Yet, if socialism is about working class power (in a participative sense) and not just satisfying economic wants as it appears to be with Holland, then new political means have to be found in order for that power to be expressed. This new means (i.e. institutions) will not be parliament but will be outside of it. Although parliament may be a part of a new system of political power it is not the crucial component of it, the establishment of extraparliamentary institutions of working class participation are the crucial arena and mark the critical restructuring of power towards socialism.<sup>79</sup> Therefore the agency of political change must be a party that whilst recognising the need to work within existing political institutions must also be prepared to work outside of the them not just as a means of bringing countervailing pressure on big business but as the priority in developing the new political structures of socialism (Burnham 2008, p. 52; Coates 1975 Preface, 1981, 1982; Miliband 1961).

### *3.4 Problems of a Socialist Strategy in a National Arena*

Holland's national political strategy was premised on the nation-state as the arena of the struggle for national social-democratic strategies. The issue of the political focus of strategy has come to the fore with theories in radical international

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<sup>78</sup> This shortcoming has been termed Labourism and has been well noted by Miliband (1961), Coates (1981, p. 10), Burnham (2008, p. 52ff.) and others.

<sup>79</sup> For debates around this see: Pierson (1986) and Townshend (1996).



political economy that argue the nation-state no longer wields power or has severely curtailed power in the world and is thus unable to be an arena for social democracy or for socialism of any stripe; it is argued that the locus of power has moved downwards to social actors such as corporations or upwards to supranational entities such as the EU, the state has become a 'space of flows' (Held 1988; Held and McGrew 1993; McGrew 2000, p. 148; Strange 1996; Cerny 1996, 1999 p. 91ff.). Very broadly there are two schools of thought on the subject. One school, encompassing various left political positions, originating in theories such as the internationalisation of production, or the global or circuit of capital or the internationalisation of the state has urged a 'new internationalism' (Murray 1975; Picciotto 1991) or a 'transnational labour response' (Radice 2000a, p. 15) to changes that have occurred and has argued that national strategies for socialism are no longer viable or are limited in what they can achieve (Barratt Brown 1972a; Murray 1975; Radice 1984, 2000a, p. 15; Sol Picciotto 1991, p. 58).

Another school, again similarly broad-ranged, has considered that either the nation-state can be utilised to moderate or manage capital in the interests of the working class or that socialism must deal with the national base of monopoly capital and a national strategy is possible (Warren 1975; Holland 1976a; Pooley 1991, p. 78; Panitch 2001, p. 388; Weiss 1998; Wade 1996; Hirst 1999, Hirst and Thompson 2000a and 2000b; Baimbridge, Whyman and Burkitt 2007).

This section structures a debate on this issue utilising Hugo Radice's arguments (1984) against those of Stuart Holland (1976a).

Radice (1984, p. 113) asks the question “is the national economy a proper object for socialist strategy?” His reply is ‘no’ and he reasons as follows: (i) the capitalist world economy is now so thoroughly integrated across national boundaries that an autonomous national capitalist strategy is no longer possible; (ii) that neither in the capitalist class, nor in the national state, can the left find partners for an alliance powerful enough to mount a reformist economic programme on a national basis. Thus Radice questions whether a revolutionary or reformist socialist strategy is viable in the nation state.

Radice’s arguments can be divided into two: firstly, on the political-economic impact of the integration of the world economy and its significance for socialist strategy; secondly, on the issue of whether there are still forces for social reform within advanced capitalist states. We will examine each argument in turn using Holland’s ideas as a focus of discussion.

#### *3.4.1 On the Integration of the World Economy and its Political-economic Impact*

Holland’s writings in the 1970s make observations which provide a reply to Radice’s points about world economic integration. Although capitalism was tending towards international integration Holland argued that ‘socialist transformation’ (Holland 1976a) was possible in one country. Capitalism develops, economically and politically, unevenly and it has unequal strength in different countries; it can be breached in one or more countries depending on the circumstances (Holland 1976a, p. 342). Nation states had carried out socialist



change singly before and their experience had to be taken into account (Holland 1976a, p. 342). It was possible for a 'socialist' government in Britain to exploit the contradictions between capitalisms as a means of preventing the overthrow of socialist transformation in Britain (Holland 1976a, p. 342). An international dimension was important to the national strategy: it was a means of countervailing the threat of exit by mobile capital. Holland was prepared to call for radical action and solidarity in other countries where that mobile capital was based.

In response to those critics, like Radice, who believed that a developed state's national government could not effectively bring part of a multinational company into public ownership and utilise it, or in other words, could not overcome the problems set by economic integration into the world economy, Holland countered that the state had powers if it so willed. He noted how the Italian state was able to undermine the deterrent effect of the multinational threat to withdraw its operations from a country (Holland 1976a, p. 205). Ultimately, according to Holland, the capacity of the nation-state to react to the impact of multinational monopolies was dependent on the rapidity, forethought and extent of its intervention (Holland 1976a, p. 206).

Despite the changes that were taking place economically and globally, Holland, at this time in his strategic thinking, considered the world remained dominated by nation-states and the state had the powers to change, fundamentally, the political-economic direction of a country (Holland 1976 a, Chap. 13). This for Holland

was the lodestar of political strategy: where was power of the state located in the contemporary world?<sup>80</sup> At this time, he answered: in the nation-state.

Holland's strategy was reformist, yet he touched on a crucial point for revolutionary strategists too. Strategies have to be directed towards power, i.e. states. The location, characterisation and definition of the state within a Marxist political-economic analysis are crucial to strategy (for debate see: Pierson 1986). This is the point of our analysis of Holland in this chapter. It has been argued that the nation-state is still the power-base of monopoly capital. It is an imperialist state. The state sustains monopoly capital's property rights. It seems logical, therefore, for a socialist strategy to be directed at the state power of monopoly capital i.e. the nation-state. This view is not directed by 'nationalism' as Radice (2000a) has maintained. The problem is not one of territory but one of power. If monopoly capitalism was maintained by a European state or a global state then a socialist strategy would have to be focused on it. However, that point has not arrived yet (see Chapters Four and Five). Rather it is guided by political analysis of state power and its locus. Socialism or working class power requires its own form of state, to call for internationalism in strategy but not to focus on states as well seems to this author to be misguided. The weakness of thinkers like Radice, Picciotto, Holloway and Murray and others is their political strategies fire at thin air, there is no concrete political specification of action against a state other than vague calls for internationalism or dependent on global action (Radice 2000a; Picciotto 1991; Holloway 1994). The strength of Holland's strategy is, despite its flawed reformism, is that he has a clear concept of power which he addresses.

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<sup>80</sup> This applies even if we accept Poulantzas' argument that the state has no power other than the social classes it represents for, nevertheless, the power of the monopoly capitalist class rests in the nation-state according to the argument above.



### 3.4.2 *On the Sources of Social and Economic Reform Within the Advanced Capitalist Nation-state*

Holland unlike Radice, did believe that the nation *state* could be strong enough as an ally of the working class in the struggle for a reformist programme in the 1970s. Holland believed that the nation-state, being a neutral instrument of power, could be wielded by the national working class and national bourgeoisie in the struggle against the global operations of ‘stateless’ [or US] multinational monopolies. This social democratic conception of the state, that it can be utilised for class conciliation and tripartism and has to be restored to that role (which has been undermined by MNCs) is the foundation of Holland’s 1970s national industrial strategy (Jones and Keating 1995).

The argument of this chapter has been that there is a monopoly capitalist base in Britain that would provide the alliance Holland seeks (Wade 1996: Hirst 1999). The fact that British monopoly capitalism is anchored within the British state means that it has to be concerned both about its property rights being maintained and social stability ensured. This latter process still requires ‘national bargains’ with the working class and its reformist representatives, social democracy (Hirst 1999 p. 87; Albo 1997, p. 16; Wickham Jones 2000). It requires strategies of progressive competitiveness to both ensure economic growth and to provide sections of the working class with the economic benefits that arise out of the privileged position in the global division of labour (Hirst 1999, p. 93). These reformist strategies both comply with monopoly capital’s interests and ensure, to a degree, the stability required for the continued possession of private property in

the form of monopoly capital. Thus, contrary to Radice, the position taken in this chapter is that national social-democracy's day is not over yet (Bienefeld 1994: Hirst 1999; Clift 2005). It can take a variety of forms from the 'modernising social democracy' to the French PS model (Martell 2001 pp. 205ff.; Bastow and Martin 2003, Chap. 2.; Cowell and Larkin 2001, pp. 107ff.; Clift 2005, p. 500). Holland's new public enterprise policies might well consider itself an antecedent of such modernisation in the common endeavour to find paths to assist Britain compete within global capitalism<sup>81</sup>.

However, Holland shares with Radice the inability to recognise that British multinational monopolies have their property rights/interests upheld by the British capitalist state domestically and globally. The monopolies and state are bound together, politically and economically, yet have contradictions in that relationship (Wade 1996, p. 79; Stopford 1985, pp. 199-200). Holland's position, conveniently, gives his social democracy the political space to argue to support nation-state policies 'against MNCs' as Warren (1975) pointed out above.

There is no doubt that the MNC relationship with the nation-state is more complex and contradictory than if they were national firms (Stopford and Turner 1985; Strange 1996; Stopford, Strange, Henley 1991). Multinationals find at times that their interests with specific home states collide, and this impels them to use either other nation-states for their own interests or to seek the aid of multinational fora to restrict the encroachments of their home nation-state, and other states as well, on their economic and political interests (Stopford and

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<sup>81</sup> Preceding the US; see Hay, Watson and Wincott (1999), p. 8



Turner 1985, p. 200; Strange 1996; Vernon 1971; Cowles 2003; Grant 1997). This latter activity is one of the sources of what some have called the internationalisation of the state (Cox 1981, p. 139; Cox 1997, pp. 60-61; Hoogvelt 1997, p. 134, Picciotto 1991 and 1991a, Murray 1975). The advocates of this viewpoint have stressed the aspects of economic and political internationalisation at the expense of the continued national relationship of big capital and political power.<sup>82</sup> The nation-state is seen in conflict with multinational firms (as Holland does in his national strategy) or subordinated to some form of internationalised state (Cox 1997, p. 61). They regard the internationalisation of the state and nation-states as direct opposites rather than see them as complementary sides of the complex relationships that multinationals have with states (Cowles 2003; Stopford and Turner 1985; Stopford et al 1991; Strange 1996).

The economic multinationalisation of firms does not mean that they end their political relationship with a specific nation-state (Stopford and Turner 1985, chap. 8; Kobrin 1997; Nigh 1997). On the contrary multinationals need a specific state, which at the moment remains the nation state, to protect and further their interests in the global arena through the various national, regional and global political-economic institutions, hence we get British, American, German, Japanese firms. The MNC still requires a home state i.e. a state machine, in a world made up of states and associated political apparatuses controlling access to military machines, markets, resources, etc., (Magdoff 1976; Ruigrok and Tulder 1995; Brewer 1990).

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<sup>82</sup> We return to this in our next chapter where we explore the imperialist origins of the European Community.

Contrary to Radice and Holland, I argue that MNCs are still interested in the state's social and economic role in nation-states and their interests will vary over time, sometimes requiring more, sometimes less, state economic intervention and that this lays the basis of a continuing political struggle between laissez-faire policies and state intervention (Jones 2000, esp. Chap. 11; Holland 1980). MNCs still require some minimum of state intervention (a minimum which the parties of the working class seek to raise) to sustain their home state's economies, societies and political-military machines which sustain their enterprise domestically and overseas (Coates 1980, pp. 182-3; Anderson et al, 2000; Hirst and Thompson 2000a; Gilpin 2001, esp. Chap. 14; Lipsey 1997; Murray 1975, p. 64). However that state intervention is under pressure due to the duality of role of the advanced capitalist state in very global economy the capitalist state has helped to build (Panitch 1994; Albo 1997; Gilpin 2001, esp. Chap. 14). Advanced capitalist states have to act as both home and host states to multinational capital; they have to promote, and compete for, capital (Stopford and Turner 1985; Strange 2006; Stopford et al 1991; Dent 1997, p. 256ff; Dunning 1992, part 4). So the development of multinational capitalism acts in a contradictory way on the political economy of nation states (through tendencies and counter-tendencies, see, for instance, Hay and Marsh 2000; Hay, Watson and Wincott 1999, p. 10). Furthermore, the commitment of multinationals to a particular nation-state will vary or change, dependent on the specific historical and geopolitical context that the state is in.<sup>83</sup> Social democrats like Holland who seek 'bargains' with capital

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<sup>83</sup> We return to this in our next chapter.



without advocating a new form of socialist state only assist monopoly capital in its global competition projects.

### 3.5 Conclusion

Holland grasped one aspect of the *dual* nature of the advanced capitalist state: the fact that it had to host increasingly mobile large-scale capital. This made the state appear weak and at odds with multinational, monopoly capital. However, he failed to stress the significance of the other aspect of that state which is its structural relationship with multinational, monopoly capital through which it sustains, maintains and extends its property or, in other words, the imperialist projection of state power; a state which is specifically constructed and organised, under conditions of liberal democracy, to fulfil the requirements of private property.

Holland seeks to co-ordinate state and capitalist enterprise using the existing state apparatus (reformed) to bring about capitalist expansion without its negative side-effects i.e. disproportions and consequent economic and social problems and international competitive consequences. The labour movement thus gets drawn into a strategy which attempts to stabilize and restore 'competitive' market monopoly capitalism and enable economic growth within an imperialist global framework. Holland, seeks to return to a competitive market capitalism out of which monopoly capitalism and imperialism grew in the first place. It provides a scenario of state-sponsored market capitalism in a political-economic context where the existing state operates, monopolies still exist, where the flow of

international capital still exists, where the stock market remains and where the struggle for resources and markets and financial advantage is intense.

Holland's concepts add up to this: a state reputedly losing its powers due to MNCs requires yet more powers to strengthen the capitalist state so that it can implement extensive state capitalist measures to manage and control private monopolies. The aim of building state monopolies is to make, in Holland's terms, national capitalism stronger and more competitive and moreover, incorporate labour into this project thereby reducing the constraints on economic growth. No matter what the socialist gloss Holland places upon his ideas, ultimately, his strategy reinforces Britain's position in the global accumulation of capital.

Further, it has been argued that at the heart of this erroneous conception of British capitalism is a one-sided understanding of the relationship of the nation-state with multinational monopoly capitalism. Holland grasps the circuit of capital relation of the state but fails to grasp the property relationship of the state.

Holland's mistaken understanding leads to an underestimation of the political tasks required if a socialist Britain is in fact the major political goal. Holland's national strategy highlights a fundamental weakness at the heart of all Holland's analyses: that is the theory of the state. Against his point of view, it is the argument of this thesis, that if the aim of his programme was to go beyond state capitalism and introduce a socialist political and economic system he was wrong in the opinion that the existing capitalist state could be utilised for socialist ends. All in all, Holland's proposals amount to a radical state capitalism dressed up as



socialism. The British state is not neutral; it is tied up with the fortunes of British monopoly capital and to sever the link between the two will require a fundamental reconstruction of the political foundation of British imperialism, namely, the British state.

To extricate Britain from this situation will require not a state capitalist industrial policy combined with some parliamentary reforms which Holland proposes, which would only strengthen British imperialism, but rather, we argue, a strategy incorporating the fundamental reconstruction of the state i.e. primarily the creation of institutions of state that are thoroughly accountable to working people combined with measures of public ownership and new democratic forms of supervision and regulation in the industrial and financial sectors and a revamp of our international economic and political relations with developed and developing countries. New dispensations and controls on the power of private property have to be implemented both domestically and internationally. Moreover property in the public domain will also have to be clearly democratically regulated and supervised. Thus implementing radical political measures for socialism are just as vital as economic ones. They are the first steps to truly enabling political and economic sovereignty of the people.

## Chapter Four: Political Economy of the European Integration Process and European International Strategy

The subject of the character of European integration and the potential and limits of a European strategy for the British labour movement and other European labour movements have been much discussed over the last 50 years (Mandel 1970 and 1978, Chap. 10; Radice 1971; Poulantzas 1974; Holloway 1976; Nairn 1976; Holloway and Picciotto 1980; Holland 1980; Cocks 1980; Featherstone 1988; Sassoon 1997; Bailey 2005; *Capital and Class*, 93, Autumn, 2007). Within the field of international political economy there has also been keen debate on the role of regionalism<sup>84</sup>: some scholars have seen it as a stepping-stone to an economy more interdependent with the global economy; others have seen it as an attempt to manage the problems that emerge with ‘globalization’ (Fry 2000 pp. 127ff.; Palan and Abbot 1996, p. 57; Gamble and Payne 1996; Hirst and Thompson 1999; Tussie and Woods 2000, p. 55; Drache 2000).

Holland’s views on the EC changed rapidly. In 1975 he represented the EC Commission as the “biggest paper tiger outside China” (1976a, p. 317). Five years later he was representing it as a formidable obstacle to progressive politics (1980). By the late 1980s he was ready to assist Jacque Delors, then EU President, help build the EU (1993a). It is possible to regard Holland’s ideas as moving between the two poles of thought on regionalism mentioned above. In the early 1980s he regards regionalism as a conveyor belt for the influence of

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<sup>84</sup> ‘Regionalism’ here is meant loosely to denote both the formal projects and the processes of regional integration. For a discussion see Schulz, Söderbaum and Öjendal (2001), pp. 5-7.



multinational monopolies and neoliberal ideas. In the 1990s he advocates support for regionalism as a strategic riposte to the powers of global capital.

Holland's analysis of European integration and arguments for a European strategy were first elaborated in the early 1970s and progressed through various phases until the late 1990s. Table 4.1 (below) outlines how Holland's political-economic analysis of European integration and strategy changed fundamentally after the mid-1980s. Row 1 summarises his:

*(a) European International Analysis:* from the 1970s to the mid 1980s. He argued that the institutions, methods and context of EC integration inhibited the prospects of 'socialism' as he defined it (i.e. industrial policies, worker participation, welfare reform and parliamentary democracy). Unilateral action by nation-states had proved ineffective against the forces of multinational capital and internationally mobile financial capital.

*(b) European International Strategy.* Therefore he advocated a dual track strategy of multilateral, co-ordinated European-wide national strategies coupled with efforts to try and reform the European Community. The objective was to establish a hegemonic social-democratic regime (Thompson 2002, p. 257). The multilateral strategy advocated reflation, restructuring and redistribution. These are the subject of this chapter.

Table 4.1: Stuart Holland's European Analyses and Strategies		
	Analysis	Strategy
<b>European International Strategy</b> <i>(Chapter 4)</i> <i>Sources: Holland 1980, 1983, 1984 and 1986</i>	<b>'European International Analysis', 1970s to mid 1980s:</b> <ul style="list-style-type: none"> <li>• The EC is an influential supranational force, but without prerequisites of being a superpower</li> <li>• The EC is regarded as a purveyor of neoliberal integration.</li> <li>• The EC is dominated by a triad of forces: supranationalism, MNCs and negative integration policies</li> <li>• Europe is held back by unequal structural, spatial and social distribution.</li> <li>• The EC cannot be a vehicle of progressive politics. To change it required a 'fundamental transformation of European capitalism'.</li> <li>• Nation-states cannot act unilaterally to deal with the 'multinational threat'.</li> <li>• Nation-state power can be augmented through joint action.</li> <li>• Nation-state political economies are threatened by the rise of multinational companies</li> </ul>	<b>International Strategy, early 1980s:</b> <ul style="list-style-type: none"> <li>• Objective: democratic internationalist and socialist community of European states. This required a fundamental transformation of capitalism.</li> <li>• Policies: an international/ European regime of states committed to social democracy and reflationary policies.</li> <li>• Therefore action has to be co-ordinated on two planes: the national and the international.</li> <li>• The focus on joint initiatives of a number of governments.</li> <li>• The co-ordination of a package of national reflationary measures advocated at a national governmental level in some or all West European states.</li> <li>• Multilateral action would facilitate political reform of EC based on a national sovereignty principle</li> </ul>
<b>European Regional Strategy</b> <i>(Chapter 5)</i> <i>Sources Holland 1992a, 1992b, 1993a, 1993 b</i>	<b>'European Regional Analysis', late 1980s to present:</b> <ul style="list-style-type: none"> <li>• Global markets and finance have undermined the ability of the nation-state to act unilaterally in its economy.</li> <li>• The nation-state, therefore, no longer has the requisite powers to radically act against MNCs independently.</li> <li>• Radical political action must focus on where sufficient political-economic power resides.</li> <li>• EU has or can have powers to advance progressive causes</li> <li>• Policies imply state-building of EU. Implicit acceptance of European Union institutions</li> </ul>	<b>European Regional Strategy, late 1980s:</b> <ul style="list-style-type: none"> <li>• Objective: EU state-building</li> <li>• Advocates that political strategy be focused at the regional level/ European Union;</li> <li>• Calls for political, social and economic and reforms.</li> <li>• He supports Monetary Union.</li> <li>• Advocates policies of European social cohesion and a Competitive Policy.</li> </ul>

In the next chapter I look at the material outlined in the second row of Table 4.1.

This summarises Holland's views:



(c) *European Regional Analysis*: Switched focus from his earlier analysis. Holland lost confidence in the nation-state, or a regime of nation-states, being able to deliver his preferred economic and social reforms and argued that the new centre of effective power was the European Union and it was to this that political mobilisation should be addressed (Thompson 2002, p. 196).

(d) *European Regional Strategy*. Holland moderated his criticism of the institutions and the context of integration, supported the European Union and urged support of the reforming process that had accelerated with the Delors presidency. These policies promoted ‘economic and social cohesion’ of the EU. Holland became committed to building a European state.

The chapter is divided into four main sections. Section one outlines the context of Holland’s ideas on Europe in the early 1980s. Section two outlines Holland’s political economy of the European integration process. Section three outlines Holland’s European international strategy. Section four contains the critique. It is divided into two main parts. The first part (4.4.1.) discusses Holland’s analysis of the European integration process. Holland claims to analyse this integration process within a class perspective, this is questioned. It is argued that Holland’s analysis of European integration is inconsistent from a class analytical point of view and in fact draws on other analytical frameworks, such as neo-institutionalism, to explain the processes and problems of integration. An alternative class model is proposed, which is considered more consistent and coherent from a class analytical point of view. The second part (4.4.2) of the chapter, which is shorter, briefly deals with the strategy that Holland developed

out of his analysis. This strategy is subject to a critique from the class analytical viewpoint too.

In order to facilitate both a clear summary of Holland's political economy of the European integration process and his strategy and to contrast this against the perspective of my critique which is bloc imperialism political economy, I present table 4.2 below.

Table 4.2 presents two models of the political economy of the European integration (EI) process. The models represent that of Stuart Holland contrasted against a model of bloc imperialism's in the two main columns. The models, for the sake of conciseness and clarity, are classified along seven dimensions: the first outlines the different conceptions of the origins of the European integration process.<sup>85</sup> The second outlines the objectives of the process as viewed from the alternative perspectives. The third outlines the causes of the dynamic of the European integration process. The fourth presents the contradictions (or problems, tensions) within the process. The fifth outline's what is termed the 'mode of integration' or the policies through which integration is conducted. The sixth highlights illustrate how the contradictions of EI are seen to be resolved in the process. Lastly, the seventh presents the strategy that each model would necessitate from their respective point of view.

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<sup>85</sup> On classification with comparative methodologies, see Burnham et al (2004), p. 68.



<b>Table 4.2 : Two Models of the Political Economy of the European Integration Process</b>		
<b>Dimension</b>	<b>Holland's Model (based on 1980)</b>	<b>Bloc Imperialism Model</b> <i>(presented in this thesis)</i>
<b>Origins of European integration Process</b>	Primarily political: prevent return to pre-war nationalism; avoid beggar -thy- neighbour protectionism (Chap. 1)	Political-economic: facilitate capitalist accumulation through inter-imperialist struggle; role of state supported integration
<b>Objectives</b>	Promote economic integration; rebuild European industry (Chaps 3-5)	Increase economic and political power of European imperialism
<b>Cause of Political Dynamic of EI</b>	<b>Institutional Cause:</b> based on distribution: unequal structural, spatial and social distribution (passim and p. 148)	<b>Systemic Cause:</b> based on production: Class conflict; Capital accumulation; inter imperialist conflict (both internally and against USA)
<b>Contradictions of process</b>	<b>Institutional Cause:</b> Result of unequal structural, spatial and social distribution (passim and p. 148) <b>Institutional Conflicts:</b> Supranationalism v Nationalism; multinationals v 'national' classes; distributive class conflicts (based on institutional cause) (Chaps 5-7)	<b>Systemic Cause:</b> 3 levels: (a) Conflict with USA and other imperialisms (b) Conflicts between European imperialisms (c) Conflict between European imperialisms and bloc smaller states (d) Production conflict with labour (e) Crises of Capitalist accumulation (f) Specific role of Multinational monopolies Manifests itself as institutional conflicts
<b>Mode of European integration (policies)</b>	<b>Neo-liberalism and negative integration policies</b> (Chaps. 1 and 3)	<b>Varied:</b> both state intervention and negative integration; methods vary over time and place
<b>EC Resolution of Contradictions within EI</b>	Improve competitiveness of European industry; Readjustment of relations between state and market; increasing negative integration; increased supranationalism, redistribution of powers between EC and nation-state (Chaps. 3-7)	(a) Struggle against rivals (b) Changing forms of state: intervention and reregulation ; build EU state (c) Change relations between capital and labour: state capitalism or neoliberalism ; competition (d) accelerate integration; intensify exploitation (e) bloc imperialism and neo-imperialism
<b>Socialist Strategy</b>	<b>Institutional Reform:</b> European policy not feasible; proceed with national policy of state intervention; build Europe on basis of community of sovereign states (Chap. 7)	<b>Both System and Institutional Change:</b> Confront capital accumulation and its mainstay the state Build Europe on new basis.

As can be seen they exhibit different ontologies (as to the reasons/causes and nature of the integration process; the nature of independent and dependent variables): the bloc imperialism model views the integration process as a product of capitalism's structure, Holland's model views the process as a product of a mixture of political-institutional and economic (market-institutional) motives; it

is eclectic. The two models also highlight epistemological questions. The bloc imperialism model seeks to go beyond a positivist approach to uncover the systemic causes involved in the integration process, whereas Holland's model works within the realm of perceived institutional relations.<sup>86</sup> Differences between these two models will be developed in the critique of Holland.

In this chapter I outline Holland's political economy of European integration and the strategy that flowed from it. I evaluate both from the standpoint of the relatively recent model of bloc imperialism outlined above (Mandel 1970 and 1978, Carchedi and Carchedi 1999, Carchedi 2001 and 2002) and based on theories and research drawn mainly from the field of radical international political economy.

#### *4.1. The Context of Holland's Analysis of EC Policies*

Before examining Holland's internationalist analysis it is important to place it within the following context:

*4.1.1 The prospects for joint action in Europe.* After the first direct elections to the European Parliament in 1979 pressures for a joint socialist approach to the EC were also becoming more urgent (Fella, 2002, p. 28); Holland's interest in Europe was spurred, at this time, due to the industrial policies adopted by

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<sup>86</sup> Hay (2002), pp. 61-65 and See Chap. 1; Marsh and Stoker (2002), Chap.1 and pp. 310-312.



European national governments which gave Holland optimism for European-wide industrial policies (Holland, 1984, p. 259).<sup>87</sup>

4.1.2 *The EC and its industrial and social policies in the 1970s.* In 1980 when the *Uncommon Market* was written the EC consisted of nine member countries with the UK joining in 1973. Europe was in deep economic crisis. The social policies of the EC remained low on the Community agenda until the mid-1980s (McCormick 1996, pp. 267-269). In relation to industrial policies, the Treaty of Rome had projected the ‘vision of a single market governed by a competition policy’ (Articles 85, 86, 92-94) which ‘were intended to avoid the problems created by state intervention’ (Wallace 2000, p. 274). Up to 1975 a European-wide industrial policy as such was not high on the Commission’s agenda and was in part frustrated by the political mechanisms of the EC i.e. the requirement for unanimity in voting in the Council of Ministers. Member states followed their own industrial policies. In the 1970s economic crisis in Europe, some measures were taken by the Commission to ‘complement member-state efforts to return national champions to growth and prosperity’ (Wallace 2000, p. 275).

Holland’s texts *The Uncommon Market (UM)* (1980) and *Out of Crisis (OoC)* (1983) provide the political economy analysis and the policy prescriptions of Holland’s European international or multilateral strategy. The former elaborates Holland’s political economy of European integration and why the European Community frustrates progressive causes; the latter elaborates an all-European strategy for recovery, redistribution and restructuring in the context of the

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<sup>87</sup> For Holland’s interest in European political-economic arrangements see Appendix A.

economic crisis in Europe in the early 1980s (Callaghan 2000, p. 110). Both books cover many topics in many areas which we cannot hope to survey in one chapter but instead we will focus on presenting the key themes from both works that comprise the major ideas of Holland's political-economic and strategic thought in this period.

#### *4.2 Holland's Political Economy Analysis: Early 1970s to mid 1980s*

In his preface to *UM* Holland writes that he presents a counter vision of democratic internationalist and socialist community of European states which he compared to a

common market [which] is unequal and uncommon in character, bureaucratic in form, and at present tends to neutralise political power and disintegrate national economic and social structures. (1980, Preface)<sup>88</sup>

Thus the thrust of his argument is to present the common market (EC) as hostile to the interests of the various national segments of the European working class. However, he does not condemn the EC entirely as beyond reform. He sets out the terms upon which the EC can be reformed and the policies upon which a European social-democratic project could be successful in such a community of states.

Holland's analysis of the EC is well summarised in the following conclusion he drew from his studies at this time. The Community's problems he argued were due to the:

'objective problems thrown up by the process of integration itself, and its unequal structural, spatial and social distribution (p. 148)

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<sup>88</sup> All references in this section refer to Holland (1980), unless otherwise stated.



This conclusion was the starting point of Holland's internationalist strategy in the early 1980s. This section will outline how Holland came to this conclusion.

Holland's views of the origins of the European Community or the European integration process follow fairly conventional analyses (Urwin 2007). He portrays the process eclectically as a mix of political and economic motives (the desire to interlock national economies to prevent war) (p. 3), the role of federalists (such as Monnet) (p. 142) and US interest in reviving European capitalism (p. 142) and the promotion of economic integration (Chaps. 1-3). The objectives of such integration, as he sees it, are to overcome the malignant nationalism expressed in the interwar years and economically founded on beggar-thy-neighbour policies (Chap. 1) and to promote economic integration, to enlarge the market and to rebuild European industry (Chap. 3 and p. 150).

The political dynamic of the EI or the development of the EC is seen in terms of institutional causes. Unlike functionalism which, for Holland, perceived problems on a political plane (assuming economic problems to be resolved autonomously through the market), Holland identifies the distributional and institutional problems that the EC faced in the 1970s as the result of an 'unequal structural, spatial and social distribution' of economic resources (passim and p. 148). The "unequal" distribution of resources is the product of a trinity of factors: multinational capital, negative integration policies and a European 'state' or set of directly unaccountable 'supranational' institutions (passim).<sup>89</sup>

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<sup>89</sup> Holland uses the term 'supranational', see p. 5 and passim.

The institutional conflicts which occur in the EC are the product of the operation of this triad of institutions. Thus the nationalism, the sovereignty issues, the economic malaise of the 1970s, the problems of welfare, the 'neutralisation of state power' (p. 121-4)<sup>90</sup> and the 'marginalisation of political power'<sup>91</sup> (p. 126) are a product of inappropriate political-institutional structures and on failures of economic distribution (Chaps. 1- 3 and Chaps 5-7). He noted 'the ongoing force of national interests in mediating the problems of uneven development, and opposing supranationalism' (p. 150).

A primary factor in the failure of the latter is the EC's Commission's adherence to what we would now call neoliberalism or what Holland termed 'negative integration' policies. Holland paints a one-sided picture of the EC's commitment to these policies to underpin his argument that a strategy focused on the EC at that conjuncture was not viable.

Multinational monopolies were another major obstacle to progressive policies in the EC. These were both US and European multinationals. He argued that 'multinational capital also undermined the efforts to translate positive national intervention into positive international integration' (p. 62). National governments had found themselves having to give 'support and aid' to 'national capital' to build 'national champions' against foreign multinational capital through new forms of public enterprise' (p. 62). Once the European multinationals had developed they were 'concerned to avoid a strong central political authority in the

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<sup>90</sup> By this he referred to the increasing power of big business to undermine the controls which governments attempted to place upon them.

<sup>91</sup> By this he referred to the instances where nation-state political powers are undermined by having to subordinate themselves to EC policy.



European Community' (p. 121). This power was also used against nation states (p. 122). The power of the multinationals inhibited EC policy in the area of industrial policy, he concludes:

'Multinational opposition to both positive national *intervention* and positive international *integration* substantially explains the frustration of Community hopes on effective common industrial and regional policies' (1980, p. 62)

In a sense then there was a power loss in the struggle against multinational monopoly capital on two counts: (a) a loss of power to the EC and (b) a loss of power by states and the EC to multinational companies.<sup>92</sup>

This position could be altered but would require a change in the 'factors in the power structure', in other words, a rearrangement of political institutions and the relationships between political and economic institutions. The European Assembly's limp political powers undermined the 'classic (Poulantzian-DL) role of the state in mediating class interests in society' (p. 132). Furthermore, socialist collaboration at the European level was hindered by different programmes, policies, principles and expectations (p. 132). Socialist majorities in one or two states could be outvoted at Community level (p. 133, p. 181). To conclude, the labour movement could not look to the European political institutions to provide the policies of resistance to big capital.

For Holland, the weakness of state powers at both EC and national level had to be remedied if the deleterious influence of multinational monopolies was to be curbed. Holland recognised the realities of the EC Commission's lack of the core institutions and competences of state power; it had none of the attributes for

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<sup>92</sup> For similarities of analysis see: Renaud Dehousse (1997) esp., p. 46. Also: Crouch and Menon (1997), p. 164.

‘independent enforcement of any decisions, in particular a policing force’ and it had no ‘national guard’ (p. 151). Holland proposed a political-institutional solution to strengthen the powers of the nation-state at all levels in the EC. He proposed a model of ‘international decision-making’ where EC decisions, policies, etc. are subordinated to the approval of national parliaments (p. 127).

Given the above analysis, Holland had to present a strategy for changing the whole nature of the EC capitalist integration process. This strategy would have, of necessity, to be international. His strategy runs as follows. Although Holland is hesitant in calling the EC a state<sup>93</sup>, he nevertheless treats it as if it were one (e.g. pp. 6,111,128,129, 134, 135). He presented an analysis of the classes and a strategy that could bring about a change in the ‘political structure’ or ‘state’ of the EC. To explain the ‘power structures’ he used a Poulantzian model whereby a popular alliance could be built to counter the monopolies (Wood 1983). Holland utilised the argument for the structural autonomy of state: a position which was much debated on the left at the time (Clarke 1991; Wood 1983; Carnoy 1984).

In terms of European ‘power structures’, labour is weak and fragmented, being predominantly national, whereas capital is strong and predominantly multinational and therefore able to organise itself beyond the nation state, thus putting itself beyond labour’s reach, and also able to place demands on, and influence, supranational institutions (p. 136). Labour, therefore, must call on “nation state intervention instead to oppose either policies of negative integration, or their negative effects in specific industries or regions” (p. 98).

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<sup>93</sup> There is of course considerable debate as to how to characterise the political power of the EC /EU. (Cini 2007, p. 2)



The forces, economic, social and political, at work in the process of class integration in the EC are complex. They do not follow a unidirectional path to some sort of superstate as envisaged by Mandel (p. 103). Economic integration *per se* did not lead to political co-operation (Holland 1986, p. 221). Differences in capitalist models in Europe require different strategies; no single strategy will suit all (p. 104). The possibility of a United States of Europe, capitalist or socialist, is frustrated by the fragmentation of the two key classes; capital and labour. This fragmentation is partly reinforced by how they are served by both the national state power and what the EC can provide. Thus the future of integration depends on the different functional relationships between classes and their powers and ideologies (*laissez-faire*, intervention, welfare) and the states that serve them (p. 104).

This central argument is based on a Poulantzian framework of analysis (See: Bridges, 1974; Wood 1983; Clarke 1977). He deploys the argument that there are fractions of the capitalist class and none has a particular hold or grip on the state.

The rub of his analysis is this:

It is not necessary to share the whole range of Poulantzas's analysis or conclusions to see that his emphasis on fractions of class is important. Put in simpler terms, it illustrates the way in which much of the mediation of the modern capitalist state (or the European Community) can challenge or restrain the activities of one fraction of the capitalist class while remaining in essence the defender of a capitalist mode of production and capitalist class relations. (p. 106)

In other words the state (both European and national - DL) can, if the conditions are right, be utilised in the struggle against the monopoly fraction. Prospectively, therefore, the EC could be changed in line with social-democratic purposes. 'Positive policies for the defence' of labour's interests were required both at

Community level and at national level (p. 139). But the primary task, in the present conditions, was to democratise state power at national level (p. 135).

From this fundamental standpoint on state theory, there follows a subsequent train of reformist plans and strategies and Holland's remaining analysis of class integration in Europe is founded on that premise. The EC, as an institution embracing laissez-faire, promotes multinational capitalist integration on its terms, which in turn threatens national disintegration and brings about a reaction from, primarily national capital (small, medium or large) which seeks protection through the nation-state or positive integration measures through the EC (p.113). Holland argued against a federalist response to "countervail multinational capital by a multinational state" (p. 113).

At the same time, from Holland's perspective, national state power makes the EC open to reform. As Holland states:

one of the main reasons for the stubbornness of national power versus Community institutions to date has lain in the *need* (Holland's *italics-DL*) for state power as a means for mediating the problems posed for different sections of capital and labour by the unequal and uneven development of capitalism. In other words, the reality of nation-states in Western Europe is not simply a matter of sentiment or culture, but reflects real roles necessary for social cohesion and the maintenance of a particular form or mode of society itself (Holland 1980, p. 129).

The continued existence of the nation state, therefore, is for the purposes of providing social cohesion. Furthermore, the role of the nation-state restrains 'the extent to which the Community can proceed solely to represent the interest of the multinational monopolies: they are, in other words, a power against multinational capital (*contra* Mandel) (p. 107). The EC, therefore, has to mediate both multinational and national capital interests; it is caught in a cleft stick situation, and can therefore be neither a supranational nor an intergovernmental body, but



rather is an in-between form of governance.<sup>94</sup> It results too in contradictory policies where on the one hand nation-states look to the Community to enable the expansion of their ‘large-scale national capital’ and on the other to ‘prevent big business of other member states from penetrating and dominating their national economic structures’ (p. 109). To conclude, Holland considered, at this time, that the nation state could rescue Europe from multinational capital.

For Holland, the ‘main distinction’ of European capital is ‘national and multinational capital’<sup>95</sup> He makes no effort to explain the differences between the two and takes it for granted that the concepts are clear and plain to understand.<sup>96</sup> Alongside this ‘main distinction’ he posits a *complementary (Holland’s italics - DL)* dimension: large and small scale capital or meso- and micro - economic enterprise. Thus in the European integration process there are at least four rather than two main dimensions to the structure of capital and the sectional class interest which it represents, i.e. instead of national versus multinational, or large- versus small- scale capital, there is a combination, in varying proportions, of all four (p. 109) . So as illustrated in Table 4.3 there is the following:

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<sup>94</sup> Holland, here is providing in a sense, a class analysis of the multi-level governance concept as opposed to an institutionalist analysis (Rosamond 2007, pp. 128-129).

<sup>95</sup> Holland’s lack of clarity in defining monopolies or multinationals leads to a confusion as to their relation to national capital and the nation-state. We will return to this point below.

<sup>96</sup> For a contemporary discussion see Fine (1979), p. 154ff.

Table 4.3: Based on Holland’s Typology of Basic Fractions of the Capitalist Class	
Spatial	Multinational Capital
Characteristics	National Capital
Scale	Large - scale Capital
Characteristics	Small-scale Capital

This simplistic, four dimensional, typology of the capitalist class means, for Holland, there is no unidirectional coincidence between class and national, or pro-European, politics. There are ‘combinations, in varying proportions, of all four’ (1980, p. 109). Thus, Holland berates Mandel ‘for identifying the national bourgeoisie with large-scale monopolistic capital, neglecting small-scale national capital and its “Poujadiste” pressure on nation states’ (p. 109).

However, although Holland argues that there may be varying combinations of these capitals in favour of nation-state or European level policies it is argued that *generally*, they follow different paths, so for instance:

the national member states of the EEC are called upon to defend the interests of smaller-scale national capital against unfavourable takeover terms, or the negative effects of unequal competition with big business elsewhere in the EEC, thus restraining the extent to which the Community can proceed simply to represent the interests of the ‘monopolies’( Holland 1980, p. 109).

We might formulate a typology of the politics of capital in relation to the EEC as follows in Table 4.4:



Table 4.4: Typology of the Politics of Capital in Relation to the EEC (based on Holland)	
Multinational, large and small scale multinational capital	Pro-negative integration in EEC
National large-scale capital	Either: pro-negative integration or more likely, pro-positive integration in EEC or pro-nation-state intervention (depending on threat from the EEC)
Small-scale national capital	Pro-nation-state protective policies especially if EC fails to protect it

These are very rough and simple typologies of Holland's arguments, yet they approximately correspond to the positions he sets out in this chapter (1980, chap. 6) and provide, therefore a graphic and succinct guide to them. The typology underpins Holland's belief, at this time, that the only successful strategy to deal with the multinationals will be one that relies on co-ordinated national strategies of positive integration to combat the baleful effects of EC negative integration which favours the interests of the multinationals. This strategy can be built upon a working class alliance with national capitals, large and small, which likewise seek national protection against a common enemy. In other words, a co-ordinated, nation-state interventionist, national capitalist-supporting policy *can* be put in place which isolates the multinational monopolies.

As for the EC, Holland believed that labour, divided along national lines, would find its 'national base' eclipsed by negative policies 'without a corresponding integration of its interests at Community level' (p. 139). However, for labour interests to dominate at the EC level would require a major change in the power relations between capital, labour and the state, rather than just institutional change at the Community level (p. 139) and this would mean 'little less than the successful challenge of European capitalism itself' (p. 8). Given the weakness of

a pan-European movement of labour at that time, Holland prioritised pan-European national strategies where labour had its traditional bases (Geyer 1993; Bailey 2005, p. 17).<sup>97</sup>

An integral element of his analysis was the conjunctural relationship between imperialism and European integration. Holland maintained that there were two aspects to the relationship between imperialism and the EC. On the one hand there was the external expression of imperialism in the relation between Europe and other major powers, especially the US (pp. 141-147), and the relation between the EC and 'Third World' countries (Chap. 9). On the other hand there was the internal relation of imperialisms of the states that constituted the 'nine'. Prime among them, for Holland, was West Germany. The model he applies to describe such 'internal' imperialism is Arrighi's (1978) concept of informal empire i.e. 'the informal empire of free enterprise' or a "zone of economic domination" (p. 152-153).

Holland doubted that the EC would become a superpower on the lines of Galtung's thesis (1973). The reason being that the EC lacked what Holland described as the 'quality of power' or a combination of political, state, ideological and economic relations (p. 148). This was missing 'because of objective problems thrown up by the process of integration itself, and its unequal structural, spatial and social distribution' (p. 148).

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<sup>97</sup> This perspective was the subject of debate in the *New Statesman* in 1982 and Holland's views were supported by others such as Bob Rowthorn and Francis Cripps and T. Ward (Callaghan 2000, p. 109)



### 4.3 *Out of Crisis: The Multilateral Strategy*

*Out of Crisis (OoC)* (1983) presented a strategy for a 'Euro AES'.<sup>98</sup> It was a response to a crisis, which he regarded, was caused by deflation that occurred due 'to cuts in spending and demand' (Holland 1983, p. 18) Holland in the introduction claimed that it derived 'from a process of convergence in thinking and policy in the main parties and institutions of the European Left' (Holland 1983, p. 14).<sup>99</sup> The proposals were for Western Europe as a whole rather than just 'Community Europe' (Holland 1983, p. 15). Holland states the *OoC* made the:

'case for joint action international rather than simply national, . . . [and. . . an extension of] the alternative economic strategy to an 'Alternative Economy and Society'(1986, p. 216). . . in the era of the dominance of 'multinational industrial and financial capital' (Holland 1986, p. 215).

The failure of the Alternative Economic Strategy in Britain with Labour's defeat in 1979 combined with the failure of the Mitterrand reforms (including nationalisation) in France in July 1982 had led him to this position (Callaghan 2000, Holland 1983, p. 58 and 2004b; Featherstone 1988; Fella 2002; Sassoon 1997). France had failed due to its attempt to 'go it alone' during an international economic crisis and without an upturn in world trade (Holland 1983, p. 58). Moreover the EC was 'stalemated both by their ideas and institutions' (Holland 1986, p. 221). What were necessary were joint policies against monetarism and to harness multinational finance capital (Holland 1986, p. 224). Joint action should be based on 'identification of specific common problems. . . rather than the assumption that all problems are common, demanding comprehensive integration' (Holland 1986, p. 226) .

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<sup>98</sup> This work was a product of the Forum for International Political and Social Economy and edited by Stuart Holland.

<sup>99</sup> Holland (1986, p. 215) states that its arguments became 'part of the new thinking of the European Left' and were endorsed in the opening statement of the joint manifesto of the Confederation of the Socialist Parties a the European Communities in 1984.

So Holland was proposing a multilateral strategy or a 'coordinated' response to the crisis based on reflation, restructuring and redistribution (Holland 1983, pp. 57-63). He counterposed the principle of cooperation against that of integration (Holland 1986, p. 223). Within the multilateral strategies Holland identified two courses of action: (i) was a 'cumulative' strategy of a number of 'key' countries which were financially strongest 'would have to pull the hardest' (Holland 1986, p. 216). Holland was particularly optimistic about the roles of France, Greece, Spain and Scandinavia (Holland 1986, p. 230). This course of action would take place in stages or waves and would progressively draw in more states. The choice of macroeconomic policies used to pursue recovery was left to particular national states. He recognised that some states might exclude themselves from participation e.g. the UK and West Germany (Holland 1986, p. 227). Redistribution of wealth, power and working time, between classes; and between the public and private sector was crucial (Holland 1986, p. 216). (ii) A general strategy which might be termed an inclusive strategy drawing in all capitalist states. This would be the hardest course of action to take as it would be difficult to get consensus on the distribution of benefits and burdens over so wide a range of states. Holland's preference is for a cumulative strategy where a few states can co-ordinate more easily the policies required.

*OoC* stressed the social and political foundations for economic recovery (Holland 1986, p. 216). The short-term Keynesian recovery programme was complemented by a call for a shift of resources 'through redistribution and a restructuring of the prevailing imbalance between unaccountable private and accountable public



power' (Holland 1986, p. 216). It was envisaged there would be some form of monetary organisation to promote stability between different currencies (p. 46)

The strategy thus provided a stepping stone to building a European movement of labour on a scale envisaged in the *Uncommon Market*, for it promoted joint action between Left parties and governments in Europe, injected a consciousness that it was only through common action in Europe that labour could become 'a European left rather than a left within one country' (Holland 1984, p. 263) and 'take the case from the national base to the international joint agenda' (Holland 1984, p. 258).

This had the effect of:

- (i) Providing a vehicle for action to complement and assist unilateral strategies (the French unilateral strategy had failed).
- (ii) Raising the issue of co-ordinated action across Europe based on multilateral actions in the context of a poor consciousness of the need for a European movement.

#### 4.4 Critique

This critique is divided into two parts; part (4.4.1) deals with issues arising out of Holland's analysis of European integration. Part (4.4.2) deals with issues arising out of his multilateral strategy. The analysis will be reviewed and evaluated

primarily in relation to thought in radical international political economy and primarily, concepts of bloc imperialism.

#### 4.4.1 *Commentary on Holland's Analysis of the EC and the EI.*

##### 4.4.1.1 *Holland's Analysis and Neo-Gramscianism*

First, Holland must be praised for using certain concepts of historical materialism in order to comprehend the political developments which have taken place within the EI. In this attempt he was one of the first British left political thinkers to do this in an extended study; studies such as this, in English, have been few and far between as Hazel Smith has commented (2002, p. 264). In fact, Holland's contribution in this field is rarely recognised, and it is interesting that Smith in her brief overview of historical materialist approaches to the EI overlooks his contribution. One commentator on European integration theories who has appreciated his efforts in this sphere and categorized them as 'Marxist' is Ben Rosamond (2000, p. 83). Rosamond wrote that Holland's work:

'represented an unusually direct interrogation of orthodox theories of economic and political integration from a Marxist standpoint' (Rosamond 2000, p. 83).

In the only journal review that was found on the *Uncommon Market*, Peter Holmes (1982; p. 806) describes correctly Holland drawing on the works of continental Marxist writers (such as Gramsci, Althusser and Poulantzas and others) for the theories developed in the text. Perhaps this is why Holland has not been given his due, as he was not original in his theories. However the interdisciplinary eclecticism of Holland's work based on radical and certain Marxist concepts in economics, sociology, politics and international relations



makes his work of note in the field. Holland was amongst the original few British Left theorists in utilising the explanations of continental historical materialists for an in depth analysis of the European Community. As Smith (1994, p. 142) lamented in her overview of Marxism and international relations theory there is ‘no significant body of literature which has integrated Marxist insights with the IR literature in English’. That Holland sought to utilise Marxist insights, in a limited way, in analysing European integration is much to his credit. His analysis of the relationship between class, international political economy, ideology and political institutions was ambitious and bold, if not a little sweeping, but to date no other British left thinker, to the knowledge of this author, has paralleled his vision and scope in writing so extensively about European integration in the 1970s.<sup>100</sup>

Holland could well lay claim to be the first British neo-Gramscian or proto-neo-Gramscian to interpret West European integration at length. Some of the insights he makes about the relationship between the ‘supranational’ EC and nation-states and the role of MNCs and labour strategies in the policy-making process are now being taken up today theoretically and empirically by neo-Gramscians and others (Van Apeldoorn 2002; G. Strange 2002a).

Both he and the neo-Gramscians have been influenced by West European Marxism (particularly Gramsci, Althusser and Poulantzas). This leads them to fairly similar perspectives on Europe but with some slight differences (not

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<sup>100</sup> For a summary of such works which is very brief see Hazel Smith (2002).

surprising given that roughly ten to fifteen years divides them), especially on the role of the nation state.

Holland and the neo-Gramscians have a broad three part concept of the social structure namely, a production base out of which two major classes emerge, capitalists and workers; an intellectual strata which provides ideologies, and a political sphere in which operates both the state and the political process (Bieler and Morton 2001, Gill and Law 1988). Both reject the determining role of the economic base upon the other spheres which they prefer to see as autonomous. This is regarded as a means of avoiding the economic determinism of ‘vulgar’ Marxism. Where they differ is in the role of globalisation and transnational forces which the neo-Gramscians add to their analysis. In the 1980s Holland used instead the role of multinationals.

It can also be argued that Holland adopts a structurationist approach to Europe (Strange 2003, p. 5). On the one hand, he stresses the imperatives of the EC and the multinationals but on the other rejects any sense of economic determinism. Social forces, if successfully mobilised, can bring about a rearrangement in institutional relations. He seeks to illustrate how a triad of social forces: namely state, ‘national’ capital and labour can transform the institutions and policies of the EC and provide the basis for an internationalist strategy.



#### 4.4.1.2 *Problems of Holland's Method of Analysis*

Holland in his analysis of the European Community uses certain Marxist analytical terms e.g. capital, class (see: 1980, Chap 5), to provide the critique of conventional academic explanations of European integration.<sup>101</sup>

However, what is also interesting is the sort of Marxist concepts he omits from his analysis. Prime among them must be a lack of any overall theory of capitalist accumulation and the scope and limits that result for states, their interactions and state's policies (Smith 2002, p. 266; Clarke 1988, 1991; Holloway and Picciotto 1978, p. 6).

Holland does not ground the origins of national opposition to the EC in such a theory, or the origins of the growth of the EC, but rather he seeks to find the origins of such within the political sphere. The origins of the national struggle against the EC are thus primarily attributed to institutional causes: the struggle against a particular political form of integration and the political response of the nation-state to those policies and to the form of their imposition (through directives), and the political problems of building a left social democratic opposition in the Assembly. Maldistribution of resources is another factor but its redistribution rests on rearranging political relations. Thus although the Marxist category of social class is deployed, it is deployed in a manner in which the main motivating forces behind those struggles are primarily political/ institutional and not economic/ class related (for more on this: see Holloway 1976; Smith 2002, p.

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<sup>101</sup> Smith has noted that those who do not share the institutional bias in analysing European integration have difficulties in being heard (2002, p. 266).

265). This serves two purposes for Holland: one, is to argue that the political problems are not derived from the EC itself but from the policies that it follows and that with a changed balance of 'power' factors different progressive policies which are not capitalist (in Holland's opinion) could be won within the EC (in time). The second purpose is that although formally Holland recognises the role of monopoly in undermining integration he avoids developing the argument that the fundamental problem with the EC and its structures and policies are derived from the capitalist system itself. Rather he views the origins in conflicting institutional relations (e.g. Multinationals-EC, Assembly- EC, nation-states and supranationalism).

Holloway and Picciotto (1978, p. 6) made this point in their criticism of the methods of Poulantzas' theories. The separation of the economic, social and political spheres (as Holland does in his analysis) into relatively autonomous structures which can be interpreted independently of one another has its advantages and disadvantages. On the one hand it facilitates the opportunity to study their interrelations in more depth but on the other hand it weakens the overall understanding of their connections. This structuralist method has a 'fatal immunising effect' (Holloway and Picciotto 1978, p. 6), as the laws of the accumulation of capital can be dispatched to an economic sphere and the activities of the state and political processes can be developed apart from the context of the operation of the laws of capitalist accumulation and the operation of capitalism as a whole.



Holland's use of Poulantzas's theory as the basis of this method of analysis is not unproblematic. Holloway and Piccotto have drawn our attention to the methods of the 'Poulantzians' of whom we may consider Holland one. They comment that the methods used are akin to 'a kind of political pragmatism', and the prescription depends on the 'content' supplied by the analysis of political class relations which is often dictated by the tactics and expediency of the political moment. As a result there is a neglect of basing the analysis of class struggle on the actual dynamic of capital accumulation. It is 'characteristic of a 'Poulantzian' approach that... the global patterns of capital accumulation are either ignored or granted no real effect on the political, so that the bourgeois nation-state is always accepted as the *de facto* political field' (Holloway and Picciotto 1978, p. 9). This very much characterises Holland's method and analytical conclusions.

Thus, Holland abstracts elements of the relationship between the EC institutions and monopolies and affirms that the relationship is of one fixed mode or form i.e. negative integration (much in the vein of structural dependency theory). The nation states play the role of points of resistance. This becomes his 'model' which provides the basis for his policy prescriptions for state capitalist intervention.

The 'political' sphere, he maintains, is not determined by the economic, there are no limits to the state's role within capitalist accumulation<sup>102</sup>, the state can reposition itself in relation to the capitalist accumulation process to manage the power-house of the capitalist economy - the multinational monopolies. Therefore

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<sup>102</sup> On these limits see Clarke (1988, 1991).

there are no barriers for it to act in the way he prescribes, given the right conditions. There is no consideration given to the analysis of class struggle, no consideration is paid to the ‘actual dynamic of capital accumulation’ (in its three modes: national, regional and global) which conditions the development of the EC. There is no relationship made between the development of the EC and its central, crucial position in inter-imperialist struggles.

Consequently, under the conditions prevailing in Holland’s model, the nation-state is held to be the focal point within the political process. It is its activity which is crucial to the maintenance of the system and it ‘mediates’ the impact of the negative integration processes imposed by the EC and MNCs.<sup>103</sup> The state becomes labour’s defence against the constraints of EI. Moreover, the nation-states themselves appear to be apart from any capitalist accumulation processes; the state’s actions are presented as a site of defence against capital accumulation rather than participants in the attempt to manage such accumulation (Burnham 1999).

Here, in a sense, Holland slips back into the neofunctionalism he seeks to reject. Problems to be remedied are ‘spillovers’ of the form of the political integration process i.e. supranationalism and negative integration. His analysis ends up in a ‘superstructural limbo’ just like functionalism. The economy works on one level, politics on another.

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<sup>103</sup> On the similarity of concepts between this idea and contemporary progressive nationalism see: Radice (2000a).



There is another angle from which we can approach Holland's method of analysis. There is a similarity between Holland's and Cox's portrayal of the state in the global political economy (Cox 1987, pp. 253-65). For Cox, states were traditionally the 'buffers and bulwarks' that protected national economies by sustaining domestic welfare and employment from the power of the disintegrating global political-economic forces (Cox 1987, p. 254). Holland has a very similar view. Just as Cox saw pressures on the nation-state to change its policies due to 'external' pressures so did Holland. The EC plays the role for Holland that the 'global order' plays for Cox in his model. It appears as an external constraint.

Burnham has criticised this perspective for its conceptualisation of the global system. He writes:

In short, by viewing the state and market as opposed forms of social organisation (with globalisation tipping the balance in favour of market against the state), Cox [and this applies to Holland-DL] and most other IPE approaches follow implicitly the liberal and realist positions which separate social reality into rigid categories and look for external linkages between artificially disaggregated phenomena (Burnham 1999, p. 39).

And he argues later that states should be viewed within the social relations of production (although a differentiated form) and that their 'power' derives from their 'ability to reorganise labour-capital relation within (and often beyond) their boundaries to enhance the accumulation of capital, both domestically and globally' (Burnham 1999, p. 41). States, therefore, manage the capital-labour relations both within the domestic capital accumulation process and the global. The capital accumulation process is not external to the state; the state is an integral part of it in the capitalist system. Holland has no understanding of this

concept in his writing; for him the state is external to the capital accumulation process. His approach is influenced by mainstream economics where the state intervenes to remedy imperfect markets.

#### *4.4.1.3 The Theory of European Bloc Imperialism and Holland's analysis of the European Community (EC) and the European Integration Process (EI)*

The formation of the EC is usually presented as the product of some idea of community (Urwin 2007, p. 18), or in conventional economic theory is the product of institutions to overcome market failures or to solve coordination problems (Gilpin 2001, p. 345) or in the new political economy is the product of interest groups politics (Gilpin 2001, p. 345). In political theories it is presented as the product of ideas such as federalism, or interrelated political, economic and technological developments as in functionalism or neofunctionalism, or as the result of the creation of institutions in solving economic and other problems as in neoinstitutionalism, or the product of intergovernmental arrangements driven by domestic groups as in intergovernmentalism, or the product of supranational forces forming cultural, political-economic blocs as in the case of transnational neo-Gramscianism (Gilpin 2001 Chap. 13; Bieler and Morton 2001; Van Apeldoorn 2002). Holland presents an eclectic account of the origins of European integration based on ideas, institutions and intergovernmental agreements and supranational forces (MNCs). It is evident from the analysis presented below that I do not agree with these perspectives.

As argued in Chapter Two the perspective offered here is a Marxist one but not within the traditional framework offered by the transnational capital functionalist



theorists such as Cocks (1980), nor that of certain proponents of Open Marxist theory who ground themselves on a capital relation theory of the state (Holloway and Picciotto 1980), nor the transnational class theories of authors such as Van Apeldoorn (2002). The perspective developed here in the critique of Holland grounds itself on the historical materialist theory of imperialism developed by Lenin and recently developed by Mandel (1970 and 1978), Carchedi and Carchedi (1999) and Carchedi (2001; 2002) and others (Cypher 1992; Beitel 2005; Freeman 2004, p. 73ff.). Furthermore, the focus on inter-imperialist relations between blocs does not deny that nation-states have their own inter-imperialist relations aside from those between blocs or that states retain their relevance (Carchedi 2002, p. 156; Panitch 2000, p. 5). As Carchedi has observed:

Each imperialist country has its own imperialist relations with other, dominated, countries and each state still performs an economic, political, ideological and military role which is indispensable for the reproduction of capitalist relations (and thus for the operation of the multinational enterprises). However, besides nation-centred imperialist relations, there are also bloc-centred imperialist relations that are a new feature of imperialist development (Carchedi 2002, p. 156.)

It is this ‘new feature’ of imperialist development which forms the core of this thesis’ arguments about Holland, and which partly comprises the thesis’ originality: it assesses Holland’s from the standpoint of the recent developments in the bloc imperialist of European integration (Carchedi 1999, 2001 and 2002).

Chapter Two has discussed various theories of the state and monopoly capitalism and set out the general theory of bloc imperialism. Here I apply that theory to Holland’s regional political economy and associated strategies as a means to develop my critique. The internal contradictions which drive the European

economic integration process can only be clearly understood if founded upon an analysis of social class and the production and distribution of value (Mandel 1970 and 1978, Holland 1980, Carchedi and Carchedi 1999; Smith 2002; Poulantzas 1974; Carchedi 2001; Burnham 1995). Europe from the very beginning was 'capital's Europe'. Its basic thesis is that three crucial factors both 'delimit and inform Europe's economic integration and thus unification process' Carchedi (2001, pp. 1-2). These are:

- The process has been driven by European oligopolies under the hegemony of German oligopolies. This has influenced the new type of imperialism Europe now exhibits.
- The EI process has produced a 'new powerful economic bloc' with its own imperialist ambitions. This will lead to an exacerbation of tension with its major rivals, the US and Japan.
- The European working class, although marginalised in the process, has nevertheless, through its struggles made its presence felt. The whole project, has been shaped by 'the need either to appease it (e.g. the Common Agricultural Policy, Social Europe) or to make it pay for the process of integration (e.g. the Economic and Monetary Union) (Carchedi 2001).

The set of institutions that comprise the EC/EU in the model of bloc imperialism play a pivotal role. They facilitate and organise the various national imperialisms into a multilateral bloc and then through various networks and institutions mould a common policy for European capital against its rivals (Cini 2007, parts 3 and 4



for the political institutional processes).<sup>104</sup> As Heffernan has stressed sovereignty was pooled to ‘enhance, through collective action, their control over external forces’ (Heffernan 2001, p. 183). The EC’s role has grown over the last 50 years but its purpose remains the same: to develop the scope and intensity of capital accumulation of the various European imperialisms and client states against its rivals (Mandel 1970 and 1978, Galtung 1973; Beitel 2005; Carchedi 2001; Cypher 1992; Albo 2003; Drache 2000). Furthermore, it was the act of the European nation states (with US participation: Lundestad 1998; Cox and Skidmore-Hess 1999) to build this institution and to remain committed to it (Holland 1980, Urwin 2007).

It should be noted that European bloc imperialism is far from cohesive. It is fractured by the competing national imperialisms that compose it: so there is a constant tussle and struggle between these ‘national’ imperialisms for advantage, preference, hegemony and gain (Anderson 1997, pp. 56-57; Holloway and Picciotto 1980, p. 142 and p. 152 n. 31; Carchedi 2001, pp. 129,116, 117,129).

European economic and political integration is a product of the processes of the national imperialisms - involving both state and economic forces - in Western Europe forming a bloc after the World War II in the pursuit of capital accumulation against the US (ironically, with US aid at first) and in the drive to sustain capitalism against the perceived threat of Communism (Carchedi 2001, pp. 1-2; Bonefeld 2002, p. 118). Carchedi’s work on European bloc imperialism is extensive, empirically rich, theoretically cogent and the most systematic and

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<sup>104</sup> Realist commentators have assayed this trend to regionalism in bloc terms e.g. Gilpin (1987), p. 407

thoroughly argued from a Marxist perspective but others have adopted the bloc concept of imperialism, although in varying versions, including: Mandel 1970 and 1978, Cypher 1992; Callinicos 2003, pp. 122-123; Greg Albo 2003, p. 97; Beitel 2005.

Of course, there have been detractors from the theory, not least Leo Panitch who has argued for the contemporary relevance of the Poulantzian conception of a US superpower over subordinate powers (Leo Panitch and Sam Gindin 2003, p. 20). Furthermore, Panitch has doubted the concept of 'rivalry' between blocs as it "inflates economic competition between states far beyond what it signifies in the real world" (Leo Panitch and Sam Gindin 2003, p. 24). This viewpoint has been challenged by Cypher (1992), Greg Albo (2003, p. 90) and Beitel (2005) who have strongly argued the rivalry thesis.

However, the bloc imperialism thesis does present an alternative perspective on European integration to that of Holland's (See Table 4.2 above). It presents an alternative in terms of conception of origins, objectives, causes of the economic and political dynamic, the origins of the political and economic contradictions of the process, the variety of policies adopted, how and why the contradictions within the process of EI are resolved and consequently the types of strategy that are required to deal with the problems. It does so from a consistently historical materialist position rather than the eclectic perspective of Holland.

Holland's institutional analysis (which is ultimately what it is - despite similarities with neo-Gramscianism) of the EC/EU does not recognise there more



fundamental structural mechanisms at work with the EI process and because it does not recognise such a level ultimately has consequences in the weakness of his strategic perspectives.

#### 4.4.1.4 *The EC as a 'State'*

Significantly, Holland implicitly treats the EC as if it were a state, even though he did not consider it as having the qualities of a state yet. He recognises that it does have powers and institutions given to it by the Treaties of Rome and subsequent treaties. He called this complex of political institutions and powers the 'supranational' element within the EC which due to its structure and weak democratic institutions both was a vehicle for policies favouring MNCs and frustrated opportunities for social-democratic interventionist policies both at the EC level and level of the nation-state.

Of course the issue about the EC/ EU has been much debated in European studies and international political economy (George and Bache 2001; Cini 2007; Schultz, Söderbaum and Öjendal 2001, p. 254). What has been noted is the transitional nature of EU institutions: no longer purely an intergovernmental organisation but not quite a supranational state. The conventional explanation of this phenomenon is an institutional one that Holland offered: a clash between the supranational principle of organization and the nation-state principle (George and Bache 2001, p. 19). The theory of bloc imperialism sees a deeper meaning behind such institutional forms, i.e. the uniting and yet competition between imperialist states. The situation is not just a product of the conflict of ideas or principles, it is a

product of the relations of different ‘masses’ of capital with overlapping and diverging interests (Carchedi, 2001).

Another interesting point, too, is that Holland does not object to the EC in itself but only to the policies followed and the structure of the institutions of decision-making. At the start of my analysis of Holland I noted that his vision was for ‘a democratic internationalist and socialist community of European states’. Holland’s vision is of independent, sovereign states work together on a common basis of state intervention to overcome the unequal spatial, social and structural distribution of resources. It is a vision of a group of state capitalist countries jointly managing the contradictions of capitalism. He had no objection to a supranational authority as long as it operated on the basis of consensus rather than the denial of sovereign right of non-compliance (Holland 1980, p. 126). He had no objection to capitalism as long as MNCs did not abuse the market. He was prepared to accept the EC if it operated on the basis of ‘international decision-making’ (Holland 1980, p. 127) and state intervention policies. It was this conception that guided his strategy in *Out of Crisis* (1983).

From the perspective of bloc imperialism presented above the vision of ‘a democratic internationalist and socialist community of European states’ is idealist (in the political sense) on two counts: (a) it is not realistic about the European imperialist states commitment to the EC and their fundamental reason for forming such an organisation which was to collectively advance their interests against rival imperialisms as they realised they had interests in common; (b) it is not realistic about the embedded economic and political drives that imperialist



states have to capture markets, export capital, advance financial interests, etc. against their rivals. The vested interests that have to be confronted to bring about a simultaneous socialist policy of Europe across a few or more countries would be powerful. We will return to this when examining Holland's strategy.

Holland's policy is tantamount to asserting the position of Hilferding and Kautsky that the state management of monopoly capitalism without crisis is entirely possible (Hardach, Karras, and Fine, 1978). This goes against the very grain of capitalism's drive to accumulation and the consequent anarchy that results out of capitalist production (see Chapter 2). Holland's vision asserts the supremacy of the political over the economic. The image projected is of a European state cartel or trust: managing the West European capitalist system (and in conjunction with other blocs too). Holland writes:

Europe... dominates nearby industrial markets, in Europe itself, in Africa, the Middle East and trade with Comecon. They have largely been pushed out of other markets in America and the Far East; these could not be difficult or impossible to retake. . . But it is sensible to assume that space must be left for other parts of the world to increase their share of the world industrial markets in the long run if not at Europe's expense. Some solution other than aggressive and destructive competition must therefore be found . . . (1983, p. 75)

However, the contradictions of capitalist accumulation are such that that they cannot be overcome without a fundamental expropriation of private property, as it is from this that the entire dynamic of the contradictions of capitalism derive, namely: the disproportions of production, the origins of crisis, the drive to accumulation and competition, the struggle to dominate markets, and the rise of monopoly, etc. No amount of state management of capitalism could remove these inherent dynamics of capitalism without having to undermine the very basis of the system itself. This would put the state in fundamental opposition to the system it is obliged and designed to maintain and upon which its concepts of

justice and law are established - the principle of private property - this makes Holland's argument a logical and practical contradiction. Thus Holland's theory of the state management of capitalism comes up against the limits of what it can achieve (Burnham 2001; Clarke 1988 and 1991; Holloway and Picciotto 1977).

#### 4.4.1.5 *Holland and the Characterisation of EC Policies*

Holland's views on the EC changed rapidly. In 1975 he represented the EC Commission as the "biggest paper tiger outside China" (1976a, p. 317). Five years later he was presenting it as a formidable obstacle to progressive politics. By the late 1980s he was ready to assist Jacques Delors, then EU President, and an associate.

In the *Uncommon Market* he presented a one-sided picture of the EC: that of a force for negative integration, a handmaiden for the MNCs, an opponent of all things national and hostile to the policies of social reform or as a 'negative integration bloc'. In many ways it can be compared with the concept of the 'neoliberal bloc' that Van Apeldoorn (2001; 2002) utilises in his analysis of the European Union in the 1990s. Holland using different terms, but a similar concept, was establishing the existence of such a bloc in the 1970s. This raises an analytical problem of its relation to that of the 'neoliberal bloc' in the 1990s.<sup>105</sup>

Coming back to Holland, his representation of the EC as committed to neoliberalism alone is weak (Dolan 1992, p. 118). The EC, like nation states, is

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<sup>105</sup> This highlights the lack of a thorough Marxist history of the EC.



more complex than this. The EC was not only bound by Articles which favoured negative integration but also had within it articles which enjoined it to improve the conditions of labour within its purview (Newman 1983, pp. 286-7). Empty articles of intent they may have been, but they carried the seeds of what was to become the social and economic policies of the Delors era. In the early years social policies remained the province of nation-states but in the treaties there some measures of social reform granted under the ‘influence of interventionist delegations’ e.g. equal pay for both sexes, and the establishment of a European Social Fund (Falkner 2007, p. 273). The latter has increased in importance as integration progressed. The Social Action Programme was approved in 1974 although leading to few formal concrete actions (Nello 2005, p. 296). Moreover, as Holland declared, the CAP was also about social and regional support through its payments to millions of peasants and small-holders especially in France (Holland 1980, p. 33). My point is that the EC had to fulfil both capital accumulation and capital legitimation purposes.<sup>106</sup> The capital accumulation purpose was its negative integration policies, which Holland correctly indicates, allowed multinational monopoly capital to expand. On the other hand, the EC had the potential to carry out legitimation functions as well and did so in some areas but in this it was hindered by the existence of established nation-state practices and the problems of finding policies which would suit all (Streeck 1996; Scharpf 1999). These purposes were not separate from its capitalist accumulation function but formed an integral aspect of its overall goal of sustaining the capitalist system (Holloway 1976, p. 13). Thus the growth of European integration embodied both tendencies of capitalism simultaneously, to enable and sustain its growth.

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<sup>106</sup> Of course as Holloway (1976) points out the two are interrelated.

Holland also presents the EC's relationship with nation-states in a one-sided way too. It appears that the nation-states' political elites never had an input into EC policies if we accept Holland's arguments. However, as Holland pointed out it was nation-states that formed the EC and helped give it the principles and policies that the organisation operated upon (Holland 1980, pp. 3-4). Nation-states established the EEC as they saw it would be beneficial to the growth of capital and hence capital accumulation.

Also the EC bore the same dual character in relation to capital as Britain did: it was both a home and a host to capital (Poulantzas 1974). It was a home to distinct national capitals that exported commodities and capital abroad and whose interests the EC promoted in relations with other states abroad. At the same time, it played host to capital (at this time US capital) which meant it had to keep its policies relating to capital open and hence its emphasis on multilateralism.<sup>107</sup>

This aspect resulted, as Holland correctly points out, in policies which were contradictory: on the one hand trying to encourage the merger and growth of European capital whilst at the same time keeping open doors to US multinational capital which undermined that growth through competition and domination of markets. This is why he was so frustrated at the failure to establish a European Company Statute and a lack of a European industrial policy.<sup>108</sup> This failure allowed US multinational monopoly domination and hindered the European accumulation of capital and its concentration and centralisation.

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<sup>107</sup> This did not mean that the EC did not follow protectionist policies too (Nello 2005, pp. 76-82)

<sup>108</sup> Van Apeldoorn views the failure of a European industrial policy as a defeat for 'Europeanist fraction of capital' (Bieler and Morton 2001, p. 211).



#### 4.4.1.6 *Holland's Characterisation of the EI Political Dynamic*

Holland subtitles his book “capital, class and power in the European Community”. What were the tasks of a class analysis of the EC? One would expect a consistent application of the concept of class to the origins of the EC, its dynamic, its motive forces, its internal institutional and political relations and its external relations, in other words an attempt to explain the phenomena that is the EC from the standpoint of class or historical materialism in all or at least most of its manifestations. Unfortunately, Holland's analysis fails this test and his application of class analysis is never consistent and is applied mainly in the context of an analysis of the relation of social forces to power which is Poulantzian in approach (Poulantzas 1974). The sole purpose of this is to use such analysis to illustrate the ‘class’ alliances that can be brought to bear in relation to state power in order to break the grip of the multinationals upon it (Wood 1983). In other words, it is the use of the concept of class for pragmatic purposes. Holland's neglect of the theory of capitalist accumulation and his preference for the Poulantzian framework of ‘base-superstructure’ of analysis leads him to separate out national struggles from their basis in class struggles. However, as Burnham has pointed out from a Marxist standpoint political, ideological and economic forms of struggle have to be viewed within a class struggle context if we are not to lapse into ‘pragmatic pluralism’ (Burnham 2001, p. 75).

Why is Holland unprepared to use Marxism in the way Burnham suggests? Holland cannot ground his concept of class in a wider Marxist framework of an understanding of the nature and dynamics of the capitalist system, because if he did his analysis of monopolies would have been different, the politico-economic origins of the EC and its character would have been very different, his analysis of the state's role within capitalist accumulation would change and this would have undermined his strategic goals of promoting the theory of a progressive Europe if only the forces could be mobilised. A Marxist analysis of the EC, in the mould of Maximova (1973), Holloway (1976), Holloway and Picciotto (1980), Carchedi (2001), would reveal the EC as an outcrop of the European states drive for capital accumulation in rivalry against other imperialist states. Instead the political relations are discussed within an institutional framework where the main problems are the relations between supranational and national institutions and the structure of market relations.

#### *4.4.1.7 Holland's Characterisation of the Nation-state in EI*

There is an element of truth in Holland's criticism that internationalisation of capital arguments do not specify the complexity of class power and class relations (historically); and that they tend to neglect the other complex class conflicts (besides the central capital-labour conflict) in EI (Holloway and Picciotto 1980, p. 152, n. 31); and that there are simple assumptions about the determinism of the base with the superstructure. In other words they make a complex, contradictory process too uniform and too one-dimensional. They tend to stress the harmonising aspects of the integration of capital, the formation of a



European bourgeoisie (Murray 1971, Mandel 1970; Holman and van der Pijl 1996, p. 57) and the functional response of the state, at an international level, without recognising at the same time the conflicting aspects of multiple sites of state-capital accumulation processes (i.e. imperialisms) within the integration process (Carchedi 2001; Burnham 1991).<sup>109</sup>

Two examples come to mind: one, is the role of the national struggle against the EC authority which Holland refers to; the other is how to account for the struggles within Europe between state-capital complexes (or imperialisms) and the fluid relations between them<sup>110</sup> By this is meant the struggles amongst the dominant powers (and lesser powers) in the EC i.e. Britain, France and Germany and which is documented so well by intergovernmentalist theorists of the EC (e.g. Moravcsik 1991, p. 54 writes of ‘firm-level business pressure at the domestic level’; see also: Moravcsik 1999) and bloc imperialist theorists (Carchedi 2002).

Holland tries to present these conflicts as national struggles. He ignores the interimperialist debate that took place in the 1970s (See: the collection edited by Radice 1975). This presents the struggles which take place within the EI as driven by the conflict of the separate, state-bound, capital accumulation processes in the trend towards the merging of European capital i.e. interimperialism (Carchedi and Carchedi 1999, p. 122; Carchedi 2002, p. 156; Callinicos 2003, pp. 119 ff, Rowthorn 1971, Holloway 1976). This results in the contradictory process which is EI. On interimperialist rivalries Burnham (1991) asserts:

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<sup>109</sup> This is similar in some ways to the concept of ultra-imperialism of Karl Kautsky

<sup>110</sup> Holland partly touches upon this when discussing West Germany and how it seeks to dominate Europe but he does not develop this point

The international restructuring of accumulation occurs in a context of inter-imperialist rivalry in which nation states struggle to overcome the contradictions of the capital relation. In obscuring this point the professed strength of neo-Gramscian analysis is in fact its greatest weakness (p. 83).

This point is overlooked by Holland who perceives it as a political struggle between the supranational and the national. Picciotto (1991a) in contrast has argued that ‘interstate conflict continues’ and that ‘changes in the international system involves a contradictory and conflicting process of internationalisation *both of capital and of the state*’ (Picciotto’s italics) and ‘that the crisis of international capital is also a crisis of the interstate system’ (Picciotto 1991a, p. 216). However, he does not develop this into an interimperialist analysis: of the struggles of rival capitalisms seeking advantage within EI. Holland likewise fails to make the connection because he regards the MNCs as separate from states and unified in their approach to the EC. It is only the “national” bourgeoisie plus the “national” labour movements which offer struggle against the EC.

The integration process can be understood, in Marxist terms, not just a product of the growth of productive forces but as a result of an imperialist political economy that chose a course of integration in Western Europe after World War II (Mandel 1970 and 1978; Carchedi, 2001).

Western Europe’s situation after the war provided the impulses to integration (Dell 1963). The process of European integration has proceeded unevenly as the result of the interaction of the national, regional and global political economies. A historical materialist approach places the origins of the EEC in its proper material context and avoids the Poulantzian idealist tendency to which Holland is



prone (i.e. viewing the development of the EC from within the ‘political level’ and the result of political ideas primarily).

4.4.1.8 *Holland’s concept of Nation-states and “National” Capital*

Holland asserts that there are national capitals in individual nation-states that can provide the basis for an alliance for the working class against multinational capital. As we have seen, Radice (1984) had argued that was no longer the case and Spence (1985) and Carchedi (2001) argued that capitals, in countries like Britain, were imperialist. The character of capital’s relationship with the nation-state was and is the central issue of debate. Each had a different understanding as to the characteristics of capital within the contemporary nation-state and consequently in EI. This conflict of analysis has widespread implications and fundamental ramifications on how we perceive states within EI. Each presents a different understanding of the social forces operating within the EC. Table 4.5 illustrates this analytical debate.

Table 4.5 : Analytical Debate over How to Characterise Capital’s Relations with the Nation-state		
Author	Position on Nation-state capital	State Role
Holland (1980)	National Capital exists and still powerful; multinational capital is external and operates through the EC.	The national state is a site of struggle against multinational capital
Radice (1984)	National capital no longer meaningful	The nation state is of subordinate importance to the international state
Carchedi (2001); Spence (1985)	Capital is based on nation-state and is imperialist i.e. multinational	The nation state is embedded in the process of imperialist capitalist accumulation

Although this debate applied only to Britain it is possible to extend these models to the nation-state capitals of other major European powers such as France and Germany (Overbeek 1992, p. 146; Holland 1980; Story 1983; Lipson 1985, p. 185 ff.) The model one chooses will have considerable implications for the understanding of the role of the nation state in relation to capital and the scope and limits of state action vis-à-vis capital. This in turn affects how one perceives Europe, European politics and the EI and the strategy one adopts.

Let us look at each in turn. Holland's position opens up the opportunities for progressive nationalism (Radice 2000a) and multilateralism. It is upon this perspective that his multilateral strategy rests. Holland strategy is based on the premise that there are "national social forces" (a territorial definition of capital, i.e. nation-based capital and national working class) with common economic and political interests against the multinational monopolies that can be co-ordinated to provide the basis of European wide-coordination of positive integration policies against the multinational supported neo-liberalist policies pursued by the European Community. However what this perspective overlooked, from the viewpoint of the imperialist perspective, was that nation-states were combinations of both smaller-scale national capital and large-scale, home based MNCs which provide the base of imperialism in the state. Thus the socialist task in the national state is to confront the state which ultimately supports these MNCs which meant more radical action than Holland was prepared to countenance. Also given the nature of inter-imperialist states it would be more difficult to co-ordinate them on the basis of progressive policies.



Radice makes his focus an international strategy. He considers that the nation state no longer has the basis for a socialist strategy as both capital and a national bourgeoisie have been integrated into international capitalist circuits of production. He defines capital not by its property relations and where those relations are based (i.e. the 'home' or domicile state) but by the territorial multinationality of the production process.

The last focuses on the nation-state but asserts that the capitalist state cannot be disembedded from the capitalist accumulation process without fundamental change. Monopoly capital operates on the basis of the national state (where the property relations are embedded, (see: Kozul-Wright 1995) and the major objective of socialist strategy is to challenge the imperialist state where it is based, in the home state of monopoly capital. The monopoly capitalist state has not yet become European-wide.

In Europe we get a mixture of structures in the EC: monopoly capital operating at the national level and the supranational level; diverse forms of political institutions, known as multilevel governance but the EC/ EU is not yet a state or, as Holland correctly puts it, having the 'quality of power'. This absolutely fundamental point relates to the criterion of socialist strategy: where is the locus of the political power that maintains capital? (Radice 1971, p. 51; Looker and Coates 1983).

#### 4.4.1.9 *The National Bourgeoisie*

The prime Marxist tool of analysis Holland deploys is the concept of social class. The purpose of using this analytical concept is to explain the power relationships within European integration and the consequent political ramifications (in the same manner as Poulantzas (1974). Holland, in opposition to Mandel's position (1970) that there was a coalescence of national monopoly bourgeoisies at the European level, argued that the political-economic struggles in EI included national "medium-sized" capital reaction to 'supranationalism'. Holland partly bases national resistance to the EC on smaller-scale, nationally-based capital. Holland also disagrees with Poulantzas over the concept of the 'interior bourgeoisie', which the latter had defined in relation to US capital, by arguing that that a national bourgeoisie can have "effects" in seeking to defend their national interests against both American and European multinationals (Holland 1980, p. 106).

What the theory of emergent bloc imperialism theory presented in this thesis asserts is that the national bourgeoisie has still an element of the national monopoly bourgeoisie within it, which is the mainstay of both national imperialism and a European imperialism. The national monopoly bourgeoisie is not strong enough to act on its own against more powerful bourgeoisies such as the US but is not yet merged into a transnational class as argued by the transnationalists (e.g. Bieler and Morton 2001; Van Apeldoorn 2002). Hence we get imperialist bourgeoisies that both seeks unity within Europe and seeks its own



advantage e.g. the British (Gifford 2007; Martel 2000) but the same applies to the French (Martel 2000) and the German (Holland 1980; Carchedi 2001).<sup>111</sup>

Holland is quick to see all national opposition to the EC as the product of a ‘national bourgeoisie’ and a national working class: the social base of social democracy (Geyer 1993, Wickham-Jones 2000). What he was failing to recognise was that within the nation there is still a national monopoly capitalist bourgeoisie; the same error he made in his national strategy.

Holland’s narrow definition of ‘national bourgeoisie’ gives him the opportunity to express the resistance to the multinational monopolies and the EC as a national, anti-monopoly struggle and to argue for the possibility of building broad alliances against multinational capital which is useful. It is Holland’s lack of clarity and unspecific use of the term which creates confusion (see Fine and Harris 1979) and forgets that part of the national bourgeoisie is a monopoly bourgeoisie which is imperialist. So drawing out this argument, Holland by promoting the “national” actually promotes the national monopoly bourgeoisie; thus making the same error as in his national strategy.

#### 4.4.1.10 *Holland and MNCs Operations within the EC/EU.*

Holland considers MNCs to operate on the EC level<sup>112</sup> but does not recognise their operations at national level in the sense that MNCs have a home base from

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<sup>111</sup> Generally on this see Mandel (1970 and 1978).

<sup>112</sup> Holland’s position on this issue appears at odds with recent research on the role of MNCs at regional level: Coen (1997) and Cowles (2003) both date MNC activity at European level from the mid-1970s. It seems that Holland is referring to the activity of US and British MNCs before the early 70s and thereafter to both these and European based MNCs (Holland 1980: Chap. 4).

which they also operate (See Chapter Two). Cowles (2003) has noted the role of the firm has been under-theorized in IR and IPE theories in general and that there is a need to incorporate firms into an account of the EU, for far too often the literature marginalises them which is inconsistent with their roles in EU integration, governance and policymaking (Cowles 2003, p. 103). The essence of her analysis is that MNCs “can participate simultaneously in international and domestic politics” and those domestic and international groups can be one and the same (Cowles 2003, p. 105; see Coen 1997, p. 94). MNCs began mobilising themselves at EC level in the 1970s, according to conventional theory (of course excepting US MNCs-which is Holland’s point (1971)) whereas before they had been active at the national level (Cowles 2003, p. 105). The relevance of this research for our argument is that Holland fails to perceive MNCs operating on two levels: the national state level and the EC governance level. In other words MNCs advance their interests through national governments and through European governance; Holland’s portrayal of MNC activity in Europe appears to omit this perspective. From the bloc imperialism thesis perspective, they promote national imperialism and European imperialism.

#### 4.4.1.11 *The Question of a European ‘State’ and the ‘Quality of Power’*

The ‘quality of power’ question is important because it goes right to the central point of this analysis. The EC is weak, according to Holland, as it does not have the necessary combination of political, state, ideological and economic relations to unify it. The implication is that it is not a state in the traditional meaning of the term. In 1975 he wrote it had no state power (1976a p. 317) The EC is



undermined by negative integration and the dominance of multinationals: this prevents political, social and economic cohesion; and cohesion underpins unified power. How is this cohesion to be achieved? For Holland it is evident that he believes that the policies of state intervention against the multinational monopolies or positive integration will make the EC united and more economically successful and therefore, a force or a power that will no longer be a ‘supine partner’ (Holland’s term) of America. Holland’s strategic aim turns out to be rivalry against the US through the EC.<sup>113</sup> The state management of European integration would be a step in the competitive rivalry against the US in the search for markets. How he seeks to go about this forms the substance of our next chapter.

#### 4.4.2 *The European Social-Democratic Multilateral Strategy*

The key focus of this chapter has been Holland’s analysis informing his multilateral strategy: its origins, the analysis, and its strengths and weaknesses. We turn now to the strategy itself. It has been described as “almost utopian” by Grahl and Teague 1988, p. 76)

For Teague one omission in the *OoC* was ‘a lack of discussion on the European Monetary System’ for this was the cornerstone of a reflationary strategy and the report failed to specify what would be the instruments of such a system and who would control it (Teague 1985, p. 56). This aspect of the strategy would present the greatest difficulty both on the question of control (especially with the power of Germany) and on the question of opposition to such an idea, especially at that

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<sup>113</sup> This was the point of Holland’s credo in 1971. This is a point I return to in the next chapter.

time, in the British labour movement (Teague 1985, p. 56; Tindale 1992, p. 284; Kaelberer 2001, p. 202). Another lacunae in the report was the lack of discussion on the EC. Teague comments on this:

Failure to confront such a central question can only give credence to the argument that a European strategy is naïve and unworkable. (Teague 1985, p. 57)

As we have noted above, the commitment of European imperialisms to the EC was fundamental in this strategy to enhance their standing in the global political economy. Holland in his denunciation of the EC in the *UM* and its dismissal of a positive role for it within his alternative European strategy had made his ‘strategic discussion abstract and unconvincing’ (Teague 1985, p. 59; Grahl and Teague 1988, p. 78). Furthermore, the power of the EC presented ‘enormous barriers’ to the development of alternative economic institutions (Teague 1985, pp. 59-60). Holland’s strategic reliance on “national bourgeoisies” to lead the way against the multinationals which favoured the EC was thoroughly misplaced. The national bourgeoisies were either the monopolies which favoured the EC or the smaller firms which were heavily reliant on the MNCs and European markets (EC) for business.

Holland’s strategy was a strategy for the co-ordinated management of capitalism, an attempt to establish a social-democratic regime on a European scale, which although praiseworthy in terms of its internationalism, was not realistic about the problems that were presented to a co-ordinated strategy by the existence of different national states (imperialisms) with different capital accumulation strategies that existed in Europe and which led to substantial differences in terms of policies, ambitions, goals and solutions to the crisis (Van Apeldoorn 2002, p. 69-70; Grahl and Teague 1988, p. 77-78; Scharpf 1991, p. 245; Cooper 1994, p.



289-291; Albo 1994, p. 167; Albo 1997, p. 22; Dolan 1992, p. 115). These continued to exist despite the impact of European integration which united them.

Holland's project was never taken up by right-wing or left-wing governments. As Palmer argued it was a strategy dependent on the coming to power of like-minded left-wing governments and even though there was a prospect of that it never materialised (Palmer 1983, p. 17). The French Socialist government under Mitterrand had appealed for simultaneous reflation but non-cooperation 'was as complete from the Social Democrats in Germany as it was from Conservatives in London and New York' (Tindale 1992, p. 283). The Mitterrand government embarked on an austerity programme after the failure of the reforms in the early 1980s (Callaghan 2000, p. 111). So at government level Holland's project had little impact in Europe. However, its impact may have been more in adding to the pressures for social democracy, especially in Britain, to change policy on Europe and thinking about how to proceed with economic change (See Callaghan, 2000, p. 211; Camiller 1989, p. 11; Landesmann 1986, p. 126; Radice 1984). Certainly others on the left in Britain such as Francis Cripps were moving to a position of support for coordination of policies within the EC (Tindale 1992, p. 284) Holland has claimed that the 'pillar of social cohesion' in the Single European Act was an indirect result of the 'Out of Crisis' programme (Holland 2004b, p. 181).

There were attempts before to set up such alternative regimes<sup>114</sup> as Holland proposed, one good example was the attempt to establish a New International Economic Order (NIEO) by Third World states in the 1970s. Krasner, a realist, in

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<sup>114</sup> Regimes are institutions which are based on principles, norms, rules and decision-making procedures around which actors' expectations occur (Krasner 1985, p. 4).

his survey (1985) of the attempt to build this alternative regime noted that all “struggles over regimes are a struggle over property rights” (Krasner 1985, p. 4). In other words, existing property relations are sought to be changed and this involves power, which is the case with the *OoC* strategy in the early 1980s. Krasner further noted that success in building such alternatives depended on the international structures available, coherent strategies and power (Krasner 1985, pp. 8-10) and on all three counts Holland’s strategy fell. It offered no realistic international structure through which the strategy could be realised, its strategy was poorly specified in terms of the class forces to be involved and lastly it had no clear grasp of how to deal with the question of the power of existing vested interests.

With the dashing of hopes of international or collective management of capitalist accumulation Holland’s next step was to turn back to the European Community, a Community which he had dismissed in 1983 but now offered new hope with the rise to power of an old associate Jacques Delors to the Presidency in 1985, and with him offered hope of new opportunities of economic management on a European scale. This is the subject of our next chapter.

#### *4.5 Conclusion*

In this chapter I have examined the analysis and the strategies of Holland’s European internationalist strategy from a Marxist perspective of capitalist accumulation and the theory of emergent bloc imperialism. From this approach some important issues were raised around Holland’s analysis of EI that was the



foundation of his strategy in *Out of Crisis*. Questions were expressed about Holland's selective use of Marxist tools of analysis which in turned raised questions over the coherence of his analysis of EI. In particular it was indicated that Holland's schema of analysis did not enable him to link changes in ideas with changes in the material base of integration. This is a fundamental problem of the neoGramscian approach to the international political economy (Burnham 1991, p. 79).

We also raised questions over his depiction of the 'supranational' v. 'nation-state' debate as one which revolved around 'MNCs' against 'national bourgeoisies'. We questioned his notion of a 'national bourgeoisie' and we noted that at least the major powers in the EI process were imperialist states given the definition of such states in our last chapter. Also based on studies within international political economy we highlighted the operation of MNCs at both EC and nation-state level. Thus an element of the national struggle against the EC was conducted on behalf of MNCs and not a 'national bourgeoisie'. This would therefore qualify the analysis of Holland and provides an alternative analysis of European integration from within an interimperialist framework as the Carchedis (1999) have done and Burnham (1991) suggested.

Simultaneously, utilising Holland's argument of national struggle against the EC, we questioned the internationalisation of capital argument that there was the trend towards the establishment of a cohesive European bourgeoisie and

European state.<sup>115</sup> Our analysis, made in this chapter, would suggest that it there was not such a development in the 1980s. Rather the perspective offered here intimates that there also remained strong differences between European bourgeoisies based on interimperialist rivalries. The research from international relations and realist perspectives in IPE suggest that differences between nation-states had not been eradicated. However we have tried to illustrate that these differences were not necessarily based on the concept of ‘national bourgeoisies’ but could be better explained from within the concept of the major states as imperialist powers. Furthermore the struggle between national and supranational can also be illuminated by the role of MNCs within Europe where they operate on a supranational and national level at the same time playing off one level of political organisation against the other.

We have illustrated the reasons why Holland turned to an internationalist strategy after his national strategy in the 1970s. This was for two reasons: (i) the failure of his national strategy and (ii) the role of the supranational EC with its commitment to negative integration.

Holland’s contribution to a radical understanding of the EC in the 1970s must be appreciated. He attempted to utilise the thinking of Continental Marxism to provide the foundation of his analysis. In doing so he can in many ways claim to be a predecessor of modern day theorists of neo-Gramscian thought on European integration. However in sharing some of the premises and methods of analysis of contemporary neo-Gramscians he shares in the strengths and weakness of their

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<sup>115</sup> Mandel discusses the prospect of a European state from a Marxist point of view (in 1970 p. 55ff. and 1978 Chap. 10)



standpoint. The strength is the analytical insight they bring to political relations, their main weakness is to be able to link those political insights to class and class relations and how in turn these are related to the contradictions and conflicts of capital accumulation in the system as a whole.

In order to win support for his position Holland had to present the EC in a one-sided manner which stressed the role of an EC-MNC bloc based on negative integration. This characterisation of European Integration based on a model of structural constraint allows him to present the image of state reform as a victory for labour rather than merely a switch in tactics by the powers that be in order to broaden the basis of legitimacy for the increased opportunities for capital accumulation.

It is ironic that Holland, a Europeanist, should view as crucial to his internationalist strategy that the nation state as a bulwark against the MNCs and the EC as an expression of those social forces that had common interest in opposing their policies. As we have argued, there is another way of interpreting national struggles within the EC which is that of an interimperialist struggle with MNCs utilising both their home state and the supranational EC to advance and protect their interests.

Lastly we have raised the problem of the focus of socialist strategy and whether the EC was worthy of such mobilisation. The answer we gave was that, at that time, the EC did not constitute a state and that the focus of a socialist strategy

must inevitably be upon the state which upholds private property relations within its domain.



## Chapter Five: European Regional Political Economy and Regional Strategy

In this chapter I criticise Stuart Holland's European regional political economy and regional strategy from the standpoint of the theory of bloc imperialism.

The structure of this chapter is as follows. I outline the context of Holland's writings, focussing mainly on one text the *European Imperative*. This is followed by summaries of Holland's ideas on regional political economy and strategy (5.1-5.4.2). They are then subject to a critique mainly from the standpoint of the theory of bloc imperialism (5.5.3). Holland's policies are regarded as a variety of 'strategic rationale' policy and as complementary to the ideas of big business (5.5.4.1-2). Holland's policies on Social Europe, Monetary Union, Competitiveness Policy and the Japanese model of flexibility are subjected to analysis and criticism (5.5.4.3-5.5.4.4). Holland's political strategy is also discussed with a particular focus on the idea of EU state-building and the implications of his ideas for European social democracy.

### *5.1 The Context of Holland's Writings on the European Regional Strategy*

It is essential to understand Holland's writings in the following threefold context:

#### *5.1.1. Holland and his work for the European Community.<sup>116</sup>*

In the mid-1980s Holland had been focused on a multilateral strategy based on his work *Out of Crisis* (1983). In the 1987 he was Shadow Minister of Overseas

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<sup>116</sup> See Appendix A

Development in the House of Common but by the early 1990s Holland's situation had changed. Holland was invited by Delors<sup>117</sup> in 1989 to make a "reality of the cohesion pillar of the Single European Act" (Holland 2004b, p. 181). So, firstly, Holland had become a bureaucrat of the EC and held broad ideological and political sympathies with its President Jacques Delors (Strange 2006; Holland 2004b, p. 181). Secondly, his commission was to develop proposals for social and economic cohesion in the European Community after the creation of the single market in December 1992.<sup>118</sup> These proposals became the substance of Holland's work the *European Imperative* (1993a) which was written and edited by Holland but was based on the contribution of a galaxy of leading academic lights across Europe including Francis Archibugi, Francis Cripps, Paul Ormerod, Enrico Wolleb, Göran Therborn and Robert Wade amongst others. Thirdly, there was the prospect a new vigorous European industrial policy which held out the promise of a strong EC industrial base or a 'powerful and concentrated bloc of Eurocapital' (Ramsay 1992, p. 24); a vision which had always been high on Holland's agenda.<sup>119</sup>

#### 5.1.2. *The Single European Act (SEA) or the Relaunching of Europe.*

This, according to Van Appeldorn, 2002 (p. 69) came in the wake of the failure of divergent national strategies and was intended as a relaunch of the European transnational capitalist project.<sup>120</sup> As Van Appeldorn (2002, p. 70) states: 'national strategies (by states) were to a large extent abandoned in favour of a *European* (Van Appeldorn's italics) strategy, laying the basis for a relaunching of

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<sup>117</sup> Delors had become President of the European Commission, in 1985

<sup>118</sup> On the opposition to Social Europe see Lambert (1991), p. 19.

<sup>119</sup> See Chapter 4.

<sup>120</sup> There is a debate around the significance of the Act: see Dolan (1992).



the integration process.’ This relaunch was a response to the crisis in European industry caused by the intensifying global competition and led the European elites to rethink their position in the global political economy (Van Appeldorn 2002, p.70; Sandholtz and Zysman 1989, p. 95; Lambert 1991, p. 18; Ramsay 1992, p. 25). The cornerstone of the SEA was the creation of a single market by December 1992 and was complemented by the new measure of qualified majority voting (QMV) for decision-making within the Council of Ministers. Although it implicitly had wider aims than just a single market, not least to kick start the European integration process, “a process which was ultimately to be as political as it was economic” (Cini and McGowan 1988, p. 12). Palan and Abbott have described the Act as a momentous phase in modern history as a ‘conscious strategy was adopted by states to create the conditions within which collectively their economic and political power could be enhanced. With the creation of the European Union, sheer market size became a strategy of competition’ (Palan and Abbott 1999, pp. 55-56)

### *5.1.3. Demands for a European Dimension to Policy*

The dominance of neoliberal ideas, right-wing governments in the US and UK, the resurgence of the EU in the late 1980s and the increasing activity of mobile finance capital placed the national strategies of social democracy under stress in the 1980s and early 1990s (Palmer 1986; Callaghan 2003a, p. 137; Hermann and Hofbauer 2007, pp. 126-7; Sassoon 1997, Chap. 24; Leys 2002). The central questions of left political economy and strategy intensified: to what focus of power should strategy be directed? Specifically, was it appropriate to make the

EU the focus? Had the nation-state weakened to the degree that it had lost its power of socialist transformation?

As European integration developed the debate within European (especially British) social-democracy around the EU became more intense (Geyer 1993 p. 1, Tindale 1992; Haahr 1992; Grahl and Teague 1994; Strange and Worth 2007, p. 2). Also, as the EU accrued more powers a perception grew in some quarters of the narrowing in the scope of the autonomous powers<sup>121</sup> of the nation state (Duina 2003). European regionalism was considered by some on the left as a possible route out of the “crisis of national social-democracy” (Strange 2006, p. 197; Geyer 1993). By the late 1980s it became a commonplace for some on the Left and farther afield to hold that globalization of economic activity had undermined the power of the nation-state, national sovereignty and the ability of national governments to be the arena of autonomous economic and social policies. Nation-state democracy, from this perspective, was under challenge from the operation of global forces (Fella 2002; Ladrech 2000; Lemke and Marks 1992). Initiatives, some urged, were required on a European plane (Lambert 1991; Held 1988; Glotz 1985; Kinnock 1984, p. 232; K. Coates 1985; Morrell 1985; and Palmer 1983 and 1986; Heffer 1982; Geyer 1993).

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<sup>121</sup> For traditional, useful discussion on the concepts of autonomy and sovereignty and the nation-state in relation to Europe see Hussein Kassim and Anand Menon (1996) and Wallace (1997), pp. 22-23; for critical perspectives see: Hoffman (1988, 1995 and 1998).



## 5.2 *The European Imperative (1993a)*

The main text of this strategy is Holland's *The European Imperative* (1993a). This text is the reciprocal of the critique that Holland made of the EC in 1980. Whereas *Uncommon Market* stressed one-sidedly the negative integration aspects of the EC, this text stresses one-sidedly the benefits for the EU of positive integration policies. In the *European Imperative* Holland elaborates a defence of the EU and a vision of policies which will strengthen it in the future. It sets out the grand plan to integrate the EU; the success of the single market and currency union depended on policies of social and economic cohesion and political reform which in turn would make the EU competitive against its global rivals the US and Japan.

## 5.3 *Holland's Regional Political Economy*

So far we have seen how Holland's national strategy met with defeat at home; we have seen how his multilateral strategy met defeat in the competition between the nation-states in the 1980s and given that he was not prepared to accept a more radical form of national strategy the only way forward for Holland was to look for a regional strategy. Holland's long-term cherished goal of a Europe in control of its destiny now seemed within his grasp (Holland 1971). Thus the late 1980s and the early 1990s marked a watershed in Holland's political economy. He had moved from a multilateral national strategy to a European one in the space of less than seven years. He began to offer a British contribution to social democratic

projects at a new level<sup>122</sup>: European ‘state’ management of capital or European Social Democracy.

Holland wrote in 1992:

Keynes is dead, Beveridge is dead, and the national economy of which they wrote has been transformed by a multinational trade and payments system. . . . The response cannot be simply national. . . . The days of British or French economic alternative strategies are over. What we now need is an Alternative European Strategy that can realise the principles of Keynes and Beveridge in the new multinational environment. (Holland 1992a, p. 24).

In other words, the national basis of social consensus (Keynes and Beveridge) had been eroded. The nation state no longer had the scope of powers to determine its own social and economic policies. Holland had finally reached the conclusions that Robin Murray had twenty years earlier (Murray 1975; Wickham-Jones 1996, p. 57). There was the prospect of the class compromise, which had been the basis of social democracy within the nation state, becoming unravelled. The consequences of this were clear; Holland sought to find a new base for the re-establishment of social-democratic class compromise.

Neither a national nor a multinational strategy was any longer valid. In the new circumstances, the increasing financial influence of the EC/EU<sup>123</sup> and global financial markets over financial affairs and the power of MNCs to negate the benefit of exchange rate change meant that nation-states which acted independently on fiscal and monetary policy would find themselves subject to the constraints of financial markets which could force national governments to abandon expansion programmes for employment or social expenditure (Holland

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<sup>122</sup> For examples in Europe see Featherstone (1988).

<sup>123</sup> The title ‘European Union’ was formally adopted in Nov. 1993 when the Treaty on the European Union or the Maastricht Treaty came into force. Hereafter we will use ‘EU’.



1993a, p. 16, p. 46; 1992a, p. 24). National export-led recovery strategies were an 'outdated illusion' (Holland 1992a, p. 24).

Familiar themes were rehearsed: trade was now multinational rather than international (Holland 1995, p. 92). Global competition could not be met by devaluation (Holland 1995, p. 92). The national welfare state was challenged by the multinational nature of production (Holland 1993a, p. 130). The international and multinational trend in the European economies tended to qualify the effectiveness of national monetary, fiscal or exchange rate policies as instruments for maintaining trade in maintaining full employment (Holland 1993a, p. 130). National tax concessions to the business sector designed to increase national competitiveness collectively reduced the tax base for social spending in Community countries (Holland 1993a, p. 130). Sovereignty had leaked from national parliaments to multinational institutions which were 'mainly unaccountable multinational companies and financial institutions rather than the Commission' (Holland 1993a, p. 16). MNCs could transfer price their payments in such a way as to avoid the tax through which jobs and welfare could be promoted (Holland 1993a, p. 16). In an open world economy of multinational investment, trade and finance it was increasingly clear that in key policy areas, joint or collective sovereignty exercised by member states through the Community was more effective than unilateral action by individual states on their own (Holland 1993a, p. 17). Holland recognised that the Community was not a state and was without the normal instruments of state power (Holland 1993a, p. 36).

#### *5.4 The Regional Strategy: Building a Regional Political Economy*

The main aim of Holland's regional strategy is the elaboration of policies for political, economic, social and regional cohesion. Its premise was to "assess the problems and prospects of achieving social and economic cohesion in the Community in the perspective of the 1992 Treaty of the European Union (Maastricht Treaty) and the current proposals for economic and monetary union" (Holland 1993a, p. 1). It argued that negative integration 'negated the power of national institutions' without adding new powers at the Community level. Freedoms of states to manage trade, capital movements and tariffs were inhibited by the Treaties of Rome and independent monetary or exchange rate policies were denied to member states by monetary union (Holland 1993a, p. 12). The treaties enforced open economies for capital. In the light of this it was crucial both for cohesion and for economic and monetary union that the Community shifted the balance from negative to positive integration (Holland 1993a, p. 13). Holland's purposes of building the European Union as a new base for social democracy should be shown through: its use of both the internal market and the project for economic and monetary union to deliver social as well as economic and financial gains; making itself more relevant to the people than 'independent and uncoordinated national alternatives'; reinforcing social rights while upgrading skills and reinforcing competitiveness; promoting industrial success and maintain Europe's position at the 'global innovation frontier'; reducing the democratic deficit (Holland 1993a, p. 13).



#### 5.4.1 *Holland's European Regional Political Strategy*

*On the EU Political Reform:* Holland held that the strengthening of the democratic institutions and procedures of the Community and inter-governmental decision-making is imperative if legitimacy is to be maintained (Holland 1993a, p. 16). Sovereignty should be defended by extending it i.e. reinforce the objectives of parliaments by joint action - on currency stability, employment and welfare. Subsidiarity should be more clearly defined and operated (Holland 1993a, p. 17). Tripartism should be established at the Community level (Holland 1993a, p. 18). Discussion on Community draft budgets should be held in national parliaments so that opinion may be expressed (Holland 1993a, p. 19). Council of Ministers Meetings should be made more transparent (Holland 1993a, p.19). The European Parliament should have a representative on the European Council and reports from the European council and the Council of Ministers meetings should be made to parliament (Holland 1993a, p. 19).

#### 5.4.2 *Holland's European Regional Economic and Social Strategy*

*The Competitiveness Strategy:* Holland's premise is that the global economic challenge relies on international competition between country and multinational competition between companies (Holland 1993a, p. 70). The need for Europe to compete with USA and the Far East has a major impact on thinking about industrial and social policy within Western Europe (Holland 1993a, p. 70).

*Japan as a model:* The EU should reinforce its already networked relations between public agencies and private enterprise, governments, social partners and interest groups and adopt aspects of the ‘development-rational’ state, e.g. Japanese state interventionist economic model (Holland 1993a, pp. 37, 96, 107), which Holland prefers, rather than the ‘regulatory state’ US model.<sup>124</sup>

*Flexibility Policies:* ‘Flexibility’ policies should be adopted in production due to various advantages in costs and production (Holland 1993a, p. 60). Holland identified weaknesses of the ‘Fortress Europe’ strategy particularly with the presence of Japanese (and US) firms in Europe (Holland 1993a, p. 67). EU pursuit of lower wage costs was to no advantage due to the advantages of product quality under flexible production techniques (Holland 1993a, p. 68). The global context of economy meant there was a need for increased efficiency and competitiveness (Holland 1993a, p. 70). He writes:

The need for Europe to compete with the USA and the Far East has a major impact on thinking about industrial and social policy within Western Europe” (Holland 1993a, p. 70)

*European Macroeconomic Instruments and the Recovery Programme:* Holland notes the advantages of public expenditure increases or reflationary policies in Japan - at that time (Holland 1993a, p. 36ff.). Using this as an example, Holland argues that the European Central Bank (ECB) and the European System of Central Banks (ESCB) should utilise their powers under Articles 2 and 3 of TEU

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<sup>124</sup> Holland utilises Chalmers Johnson’s distinction: a regulatory state has regulations concerning the antitrust implications of the size of firms, but does not concern itself with what industries ought to exist and what industries are no longer needed. The development or plan-rational state, by contrast, has as its dominant feature precisely the setting of such substantive social and economic goals (Holland 1993a, p. 107).



to provide funds for policies of economic and social cohesion (Holland 1993a, pp. 20-21); that this could be supplemented by the development of new financial instruments and the European Investment Fund (EIF) to fund policies (Holland 1993a, p. 46) that would be a counter-cyclical instrument (Holland 1995, p. 91) and would enable recovery, redistribution and restructuring policies (Holland 1995, p. 45 and p. 50).

*Monetary Union:* Holland advocated monetary union on the economic grounds that devaluation as an economic tool was weakened in an age of multinational production and any unilateral action within the Union harmed cohesion due to its repercussions (Holland 1995, p. 93). Politically, it was advantageous because it was a 'decisive answer within Europe to speculation against exchange rates' (Holland 1995, p. 94). Internationally it 'should help', he believed, 'stabilise world exchange rates' (Holland 1995, p. 94) and offered a 'better balance... between the Triad of the US, Europe and Japan' (Holland 1995, p. 94). This would provide the basis for a new European macroeconomic policy. Backing the power of the EU over nation-states Holland maintained that states could not be allowed to ignore the budget and debt criteria of monetary union as it would open up the prospect of EU disintegration (Holland 1995, p. 96). Holland's counterargument to those who considered the deficit and debt conditions of monetary union too onerous was that the countervailing use of the European Investment Bank (EIB) and Union bonds be expanded to compensate for the contraction of national budgets and borrowing (Holland 1995, pp. 96-7). Also the EIF could be used as part of a joint investment strategy to create jobs (Holland 1995, p. 118). This could then be used to offset unemployment (Holland 1995, p.

98). Later, in 2004, Holland wrote that member states took advantage of the EIB - as this did not count against national debts and therefore the ‘potential to avoid deflationary pressures by a social investment-led recovery programme financed by the EIB is vast’ thus holding out the hope of new forms of deficit-financing of budget expenditure (Holland 2004b, p. 182).

*Social Europe:* Holland also proposed a range of social policy and welfare reforms which would both ‘equalise rights and raise equality of opportunity’ (Holland 1993a, p. 135) and provide more flexible education, training and health care which would make for a move ‘efficient society’ (Holland 1993a, p. 134). Welfare policies were ‘crucial to consent and support for the institutions of democracy itself (Holland 1993a, p. 128). The EU through growth and raised productivity could afford to finance new employment and expenditure programmes (Holland 1993a, p. 134).

Holland appraised his programme thus:

“In effect, the ‘New Left’ case in Britain in the 1970s has gone European and has reinforced a Europe-wide social agenda. . . . Social Europe . . . remains an inspiration. . . in demonstrating that the EU can and should aspire to being more than a free trade area with reduced social rights (Holland 2004b, p. 183).

## 5.5 Critique

### 5.5.1 Holland’s Analytical Framework – the Substitution of Federalism and Neo-functionalism for ‘Class’ Analysis

Holland in his work the *European Imperative* changes his analytical framework for comprehending the European integration process. Instead of the mixed partial



class and institutionalist analysis he employed in his analysis underpinning his European International Strategy we get a federalist and neo-functionalist perspective on EU political institution building and social and economic cohesion. Different frameworks ask different questions and provide different answers. This difference in perspective carries with it implicit assumptions; not the least is the acceptance of, and commitment to, the European Union as an agency of progressive causes. It is only through the EU that macroeconomic adjustments can be made and sufficient funds generated for welfare and social policies. The EU is regarded as supplementing the nation-state in having the power to deliver social-democratic policies.

Holland's jettisoning of a class analysis of the EU results in an abandoning of a critique of the EU within economic and social structural terms. The EU is explored not as a product of the social relations of European capital/s but as an 'autonomous' set of institutions that can be moulded in any direction by various political agents without limit. This switch of analytical framework diverts attention away from class structure and onto the arrangement of political and economic institutions. The intrinsic link that the EU has with the development of European capital/s is lost and therefore the scope and limits of its actions recede.<sup>125</sup> Within Holland's new framework, models of institutional arrangements become more relevant and analysis of capital and its consequences less relevant (on this see Coates 2000, pp. 145-156).

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<sup>125</sup> Clarke (1977) elaborates on the consequences of adopting non-Marxist analytical frameworks for the state.

This has an impact on strategic thinking too. Within the new framework institutional reform becomes the central focus of political action rather than fundamental socio-economic transformation. The problems of capitalism are considered to stem from malfunctioning institutions or obstacles in the market place rather than from the inherent contradictions of capitalism.

This has an obvious bearing on evaluating the plausibility and validity of Holland's regional strategy as socialist. Holland fails to answer questions such as: what is the class character of European regionalism? What role does it play within the global political economy? What does it mean for the nation-states involved in the process?

To answer these questions from a class perspective, as Holland did to a degree in *Uncommon Market* we have to seek to analyse the reality from a Marxist perspective. It is significant to note that Holland patently fails to do this in his writings on the EU.

This rapid change in Holland's political position indicates something about Holland's political economy. His political economy was not informed by conceptions of structure whereby the solutions to the political problems that arose would have to be directed towards a reconfiguration of the structural basis of a political economy but was instead premised on the relationship between political and economic institutions and the influence of individuals and ideas. Thus the crux of his political economy approach was how to transform ideas and the arrangements of institutions of capitalist society, a rebalancing of their



relationships, rather than the uprooting of capitalism. It was a political economy guided not by principle but by pragmatism.

5.5.2 *Holland’s Political Economy of the European Union*

<b>Table 5.1: Summary of Holland’s Political Economy of Regionalism- Comparison of the Political Economies of the Nation-state and the EU.</b>		
	Political Economy Nation-State	Political Economy of the EU
Powers to control exchange rates, fiscal policies and monetary policy	Ineffective	Effective
Powers to develop Competitive policies	Ineffective	Effective
Bargaining Powers vis-à-vis MNCs	Ineffective	Effective
Strength of Political and Economic Sovereignty	Ineffective: dependent on unilateral strength	Strong: strength of collective
Power to implement social policies	Ineffective	Effective
Power to build and maintain social consensus	Ineffective	Effective
Ability to be base for social democracy	Ineffective	Effective

Table 5.1 summarises Holland’s perspectives on the political economy of the EU compared to the nation-state. The table is divided into two columns, representing the political economies of the nation-state and the EU. The terms “ineffective “ and “effective” relate to economic and political power capacity. There are seven rows each representing dimensions of comparison between the political economies of the nation-state and the European Union. It is clear that Holland considers that power in the European regional space has transferred from the nation-state to the EU. It offered the new capacities for state capitalism and therefore the possibilities of building a new social consensus and a renewed

social democracy within the European Union which he believed had been undermined in the nation-state.

Holland's political economy of the European Union substantially contradicts the positions Holland held previously. In both *SC* and *UM* Holland had the belief that nation-states had the powers to break the constraints placed on national governments through the use of radical state action which could frustrate the operation of MNCs. Now he jettisoned such a project. He had come to the conclusion that his own nationally-based social-democratic projects were futile. Nation-states could not tackle the combined forces of the multinationals and the money markets. Holland's strategic focus thus switched from 'methodological nationalism', based on state capitalist and macroeconomic policies at a national level, to a 'methodological regionalism' where such policies are sought to be implemented at a supranational level.<sup>126</sup>

Holland no longer considered that the nation-state or any 'national' classes had the capacity to be able to confront and resist multinational forces with state interventionist policies. Viewed from the class perspective of the *UM*, Holland cannot foresee the 'national bourgeoisie' having the resources to resist multinational capital. Holland was not prepared to recognise any form of revolutionary socialism in a national context. Perspectives of a unilateral, socialist state conjured up images of autarchy and exclusion from the world economy. This perspective having been marginalised, the only way forward for Holland is to develop the regional alternative.

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<sup>126</sup> On methodological nationalism and methodological regionalism see: Clift (2005), p. 467 and Strange (2006) p. 224.



The regionalist strategy is advocated by Holland as the means of salvation for social democracy in an age of global capitalism (Geyer 1993, p 91ff.). This perspective is shared by many thinkers within the Social Democratic tendency (Delors 1989, p. 32; Cafruney 1997; Cuperus and Kandel 1998; Strange 2006, p. 197ff.; Glotz 1985; Hirst and Thompson 1999; Sassoon 1999). Sassoon stated prophetically: “European social democracy, shall be European or shall not be” (Cuperus and Kandel 1998, p. 23; Wilde 1994; Barratt Brown 1995).

Of course this position was a controversial one within social democracy itself; another strand of social democracy continues to adhere to strategies pivoted on the nation-state (Pooley 1991; Baimbridge, Whyman and Burkett 2007, p. 71ff.; Garrett and Lange 1991; Martell et al., 2001). Lemke and Marks (1992, p. 15) argued against Sassoon that European ‘integration is antithetical to social democracy’. Their belief was that ‘national bargains’ could still be achieved between a national bourgeoisie and a national working class.

We have already argued in Chapters Three and Four that a national monopoly bourgeoisie continued to exist. Holland, from the author’s perspective, is exaggerating his case about the ‘nation-state’ being exhausted as a platform for social democracy. The theory of bloc imperialism is built on the concept that national monopoly capitalisms remain and have formed a bloc in Europe. Holland grasps the latter but not the former. This is a position which he shares with transnationalists e.g. Bieler and Morton (2001) and G. Strange (2006) and

those Open Marxists such as Radice (1984) and Picciotto (1991) who argue that the national economy cannot be such a platform.

It is important to refine our presentation of Holland's perspective on regionalism: he considers the EU an opportunity rather than a constraint. He perceives the EU as providing a positive response to globalisation (Strange and Worth 2007, pp. 3-4). It provides the opportunity for effective sovereignty to be asserted; it enables state intervention in industry; it re-establishes the opportunity for effective macroeconomic policies founded on sound and stable monetary arrangements; an economic basis for extended fiscal policies and welfare policies; it is a counterbalance to the power of monopolies and a vehicle for parity in economic rivalry with the US. His vision is very much of a traditional Keynesian interventionist rather than a modernising 'Third Way' social democrat. For this latter group regionalism is seen as a stepping stone to globalisation in which the state should channel institutions and individual behaviour in ways that encourages and supports their position within the market (Baimbridge et al 2007, Worth 2007, pp. 93 ff.). Although there are elements of this perspective in Holland's conception (especially in productive and social flexibility policies) it is a perspective which he eschews.

### *5.5.3 The EU as Bloc Imperialism*

In contrast to Holland's non-class perspective of the EU political economy above I offer an imperialist perspective. As was discussed in Chapter Four the theory of bloc imperialism maintains that the EU is built around powerful imperialist states



that operate both individually and as a bloc. The manifestation of this can be seen in a number of ways: in the operation of capital across Europe, in the operation of capital within nation-states and in the operation of capital overseas (Mandel 1970 and 1978; Carchedi 2001; See also Chapter Four).

Palan and Abbott help draw out the class nature of the EU in their concept 'interest group rationale' (1999, p. 66 ff.). Although a pluralist perspective it, in part, returns to the partial class analytical one that Holland held in the *UM*. It delves deeper into the class structure of the EU and regards bloc formation, not as an act to the benefit of all, as Holland portrayed the EU, but as evidence of state response to problems of capital accumulation in the world economy (Burnham 1995, p. 109, Van Apeldoorn 2002, pp. 84-86, Palan and Abbott 1999, p. 66). In this perspective, a crucial aspect of European politics and institutions is the dynamic of multinational businesses in their drive for capital accumulation, especially after a period of slowdown as the late 70s and early 80s had been. This slowdown was particularly apparent in the high-tech industries where, for example, Europe's share of the world production of electronic goods had fallen from 26 per cent to 21 per cent; industries which had felt competition particularly from the Japanese (Palan and Abbott 1999, p. 68; Hart 1992, Chap. 1). These industries, in turn, were particularly active in the Roundtable of European Industrialists (ERT) (Palan and Abbott 1999, p. 68, Van Apeldoorn 2002, p. 86).

It is worthwhile noting how multinationals in the ERT envisaged the European integration (EI) process. The role of EI was primarily about "strengthening European industry in the face of growing competitive pressures from Japan and

the USA” and a necessary condition of this was the relaunching of the European project itself. As the ERT stated:

The emphasis of the group’s work is on developing ideas and taking initiatives to promote the European scale in industrial and market development – strengthening European industry’s competitiveness . . . by promoting competition and co-operation on a European scale” (quoted in Van Apeldoorn 2002, p. 86).

Contemporary imperialism theory highlights the role of contending centres of accumulation commonly known as the Triad (the EU, Japan and the US). The EU and the Far East have begun to make the US vulnerable to the economic shifts taking place in the global political economy. At present there are emerging three spheres of geo-economic influence centred in the US (North America, but also the Western Hemisphere and, to some significant extent, the rest of the world, the German-France partnership (the EU and Eastern Europe, North Africa and the Mediterranean) and Japan/China (East Asia). The EU, in so far as it promotes the interests of major multinationals headquartered in member states, is a potential competitive threat to US capital. Although not yet able to mount a full-scale challenge to the US at the moment there is developing fault-lines of issue contention between the US and Europe. One of these is the euro which threatens to become a source of US-EU conflict. The euro has far-reaching implications for the structure of US imperial power which poses a threat to US seignorage rights<sup>127</sup> and the ability of the US to manipulate the price of the dollar in the pursuit of its national interest. Should there be a shift from the dollar as a major reserve currency, and a move by OPEC off the dollar combined with robust Europe-zone growth then the future of the dollar could reach crisis proportions

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<sup>127</sup> This is the advantage accruing to the hegemonic economic power, due to the use of its currency as the international one (Carchedi, 2002, p. 159)



with massive repercussion for US-European relationships (Beitel 2005, p. 184; see also Carchedi 2002, pp. 159-164; Freeman 2006, p. 292). Thus the euro plays a strategic role in interimperialist rivalry, an issue on which Holland is silent. This analysis of the European Union as an imperialist bloc casts a very different shadow over Holland's social-democratic regional project (Cypher 1992; Albo 2003; Carchedi 2001; Drache 2000).

#### *5.5.4 Holland's European Strategy*

##### *5.5.4.1 The Concept of 'Strategic Rationale' and Holland's Perspective on the Role of Regionalism as the Basis for Future Class Compromise Policies*

Holland's outlook can be described as 'macro-nationalist' i.e. the EU as a defence measure against the forces of globalisation (Scholte 2000, p. 147). This trend towards regionalism is the 'strategy of size' which is justified in terms of competitiveness based on a strategic rationale (Palan and Abbott 1999, p. 56 and Chap. 3). The 'strategic rationale' was a radical alternative to the neoclassical paradigm that had become dominant in the 1980s. It was based on 'new trade theory' or 'strategic trade theory' which maintained that a government's economic policy could still have effect (Palan and Abbott 1999, p. 63; Gilpin 2001; Holland 1993a, p. 70). The state's role is to facilitate competitiveness of firms mainly by supplying the context in which that can take place. 'Size' as a strategy is regarded as the means of 'both providing such a conducive environment and as a superior instrument for asserting the strategic trade interests of these states' (Palan and Abbott, 1999, p. 63). Thus the strategy is intended to increase member states' power and influence in the international political

economy and strengthens regional blocs in their struggle with rivals (Palan and Abbott 1999, p. 64). It increases bargaining power within the multilateral system in both the relational and structural sense. Thus it can be used in relational terms against other great powers or in structural terms in negotiations with weaker states to achieve goals in the interests of the larger power (Palan and Abbott 1999, pp. 65-66). Holland's Regional strategy can be seen in this light: a strategy with which to confront rivals and a strategy through which advantages could be imposed on the weakest (De Martino 2000, p. 175).

It was a strategy, in other words, to increase the wealth and prosperity of Europe through power rather than socialist change. Power in the global economy was the means to sustain the social-democratic task of managing capitalism and forging social and economic cohesion. Thus Europe's successful interimperialist rivalry was to be the future bed of social democratic class compromise.

It should be remembered at this point that Holland did not consider territorial size as a means of combating the power of MNCs. In the *UM*, he states clearly that market size was not a sufficient barrier to the creation of monopoly e.g. the USA, which had the world's most powerful monopolies.

#### *5.5.4.2 Holland and the Big Business Policy of "Embedded Liberalism"*

We have noted above the ERT's goal to unify the European 'home' market as a 'springboard for the world market'. Another aspect of their policy was to move on to the strengthening of 'European government' and 'deepening of the



Community's institutional structure' (Van Apeldoorn 2002, p. 87). This was linked to a vision of an 'embedded neoliberal' project which promoted competitiveness through deregulation and labour market flexibility-based more on German industrial policy (Van Apeldoorn 2002, p. 87 and pp. 163-164).

It worth exploring the concept of 'embedded neo-liberalism' a little more to understand both its relevance to European industry and to Holland's European political economy. Van Apeldoorn argues that this concept represents the interests of transnational industrial capital. Although it favours neo-liberalism it recognises that pure laissez-faire would damage its own direct economic interests (as it still requires an educated workforce, social and political stability, material infrastructure, and sound macroeconomic policies that encourage growth and investment) and in the absence of which would lead to social and political instability and the possibility of the rise of socialist movements. Thus with embedded neo-liberalism there is a hesitancy in fully unleashing the market from post-war social and political institutions. Restructuring along competitive lines is accepted but in the context of policies in which a degree of 'social consensus' is maintained (Van Apeldoorn 2002, p. 160). Within continental Europe, Van Apeldoorn argues, the neo-liberal project 'had to be articulated with some elements of opposing projects in order to become hegemonic' (Van Apeldoorn 2002, p. 160), in other words, neo-liberalism had to meld itself with social democracy. Capital was searching for a means to incorporate the working class in their project. The point of contact between the European industrialists and social

democracy in Europe at that time was Jacques Delors and it was through Delors that Holland became involved in the European capitalists' project.<sup>128</sup>

This has great bearing on Stuart Holland's regional political economy. As we have seen Holland was employed by the European Commission in the wake of the formation of the Single European Market to enhance that project with policies for social and economic cohesion. Holland was, therefore, providing support in the implementation of the very project that the European multinationals within the ERT desired. Holland came to the ERT project from the social-democratic side, his role was to frame the neoliberal project within a social democratic strategy for Europe. Relevant here is a point Wickham Jones has made in the context of New Labour in the global economy: social democratic parties may be better placed to provide the collective goods that capitalism fails to provide because of their close links with workers. He continues:

They are equipped to know the training and infrastructure needs of the economy and, working closely with unions that can discipline and co-ordinate their members, they promote co-operation, reduce strikes and ensure wage moderation. (Wickham Jones 2000, p. 14)

In other words reformist leaders and reformist parties can help support capital in its aims of increased competition and economic rivalry. They can implement a strategy of supplying the 'collective goods (including social stability) that employers desire' (Wickham-Jones 2000, p. 22). It is this policy that Holland is promoting in his regional strategy. De Martino (2000, p. 174) has described such policies as 'the best strategies for romancing capital'. Wickham-Jones welcomes

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<sup>128</sup> On Delors and the Social Democratic Project in Europe and his views on the market and relations with European business (see Van Apeldoorn 2002, *passim*; Ross 1995 *passim* and Grant 1994, pp. 86-87.)



them as grounds for optimism for social democracy. However, from the point of view of an independent socialist perspective, such a course can only be fuel to the capitalists' desire to intensify exploitation and create the conditions for sharpened competition in world markets which underpins inter-imperialist relations (Albo 1994; 2003, p. 95ff.).<sup>129</sup> What is apparent also is that there is a symbiotic relationship between capital and social democracy. On the one hand capital needs to legitimate its projects among the working class, on the other social democracy offers to compromise with capital to gain "progressive" reforms (Hermann and Hofbauer 2007, pp. 128). In the case of Stuart Holland, he becomes the ideologue of such a relationship in the context of the European Union. He wanted to turn the EU into a 'welfare capitalist club' (Tindale 1992, p. 293).

It is true as Wickham-Jones argues, and is supported in an oblique way by Van Apeldoorn in the analysis above, that capital under conditions of intense rivalry does not close the door on the reformers' path but offers to social democracy a compromise. One, which Wickham-Jones has indicated, that social democracy willingly assists capital in; the revitalising of capital and the creation of new opportunities for capital accumulation. Whether this is a socialist policy is the point of the debate.

It is also a point on which I differ with those who see capitalist rivalry only working through one tendency, acting as a constraint (Strange 2006, p. 215ff.): the tendency to push down on workers' wages and conditions and to constrain reformist parties in offering and delivering reformist policies. There is a second,

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<sup>129</sup> For a critique of such perspectives from a normative, egalitarian viewpoint see De Martino (2005).

cross-cutting tendency. Capital, as Van Apeldoorn has shown, has a number of strategies towards the working class. One is to attack its living conditions and wages but another is the desire to legitimate itself in the eyes of sections of workers by providing them with superior conditions and general improvements in employment, either domestically or overseas (Watson 2005 pp. 181-5; Carnoy 1984, Chap 5; Cameron 1984; Garrett 1998). It seeks to build alliances with sections of the working class. This is how imperialism operated in Lenin's day, when he discussed its impact on the working class and the formation of social democracy (Lenin 1964a), and this process still operates today as discussed in the example Van Apeldoorn gave above. It is possible for the advanced capitalist countries to seek to concentrate production on the high-tech and skills-intensive production processes which shields workers to a degree from the competition of countries that are not so developed. This highly-skilled workforce gains the benefits of the policies of 'new growth theory' and is able to protect its position in the global market to a degree and temporarily (Dicken 1998, Chaps. 3 and 4). It cannot rest on its laurels, though, and must compete to stay at the frontier of high-tech industries. Holland advocates government policies to ensure this for Europe. This forms one part of the basis of a European support amongst British workers (Strange, 2002a, pp. 352-355).

Thus capitalism must be viewed as a system that has two trends within it. One is the accumulation of capital but the other is the tendency of capitalism to seek stability and legitimacy, largely as a result of worker resistance to such changes, and the prime means of this is the state and its interventions.<sup>130</sup> Again as

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<sup>130</sup> On this see M. Watson (2005), p. 187ff.



Wickham-Jones writes: ‘reformist parties offer policies that are either attractive or acceptable to capital persists in a global [... economy -DL]. Indeed globalisation adds to political demands for social democratic-style interventions in the economy’ (Wickham-Jones 2000, p. 7). This brings us to our next point the critique of progressive competitiveness.

#### *5.5.4.3 Holland’s Regional Progressive Competitiveness Policies*

Competitiveness has been one of the major legitimating arguments of neoliberal reforms in the EU (Hermann and Hofbauer 2007, pp. 130). One theory situates the origins of regional progressive competitiveness within the context of social democratic questioning of the goals, instruments and efficacy of industrial policy during the European economic downturn of the early 1980s (De Martino 2000, p. 162). Competitiveness became a new discourse for European social democracy as a means to ‘salvage state intervention’ in the cause of social reform (De Martino 2000, p. 162; John Palmer 1987, p 178; Leys 2002; Sassoon 1997, chap. 24). Within the range of theories informing the competitiveness perspective Holland emphasises that of flexible specialization.<sup>131</sup>

It is noticeable in Holland’s regional economic and social strategy that the ‘Old Labour’ policies of public enterprise and planning agreements that informed the core of his national policies are absent. Holland also has a new view on multinationals; they no longer are the major threat to social democratic reformist policies, the main barriers now are market-institutional and relate to productive

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<sup>131</sup> De Martino highlights, amongst others, three theories: flexible specialisation, corporate governance and human capital approaches (De Martino 2000, pp. 162 ff.).

activities and the management and performance of labour: industrial practices have to be reformed and made more 'flexible', Japanese political and industrial models become the exemplars to be copied; policies must be put in place to make both Europe and European industry more competitive. These changes had to be embedded with 'flexible' welfare and social policies that provide cohesion and consensus. In other words, the new competitive order must be stabilised and legitimated within the European framework.

Holland in adopting these policies is both continuing and changing policy positions he has held previously. As we have seen in Chapter Three the essence of Holland's Alternative Economic Strategy was state intervention to compete, to stimulate economic growth. His international strategy was informed by the same conception: Europe in the slough of depression needed co-ordinated action to collectively manage the crisis and restore dynamism to European capitalism. Holland's regional strategy is no different it continues the same objective. The change in Holland's policies come in the adoption of new means and methods to make capitalism competitive; public intervention is still embraced but this time it is in support of the multinationals and not threatening them. The 'flexible' production and 'new growth' policies adopted altogether reveal a new approach to the monopoly multinationals. No longer are they the obstacle to progress but are allies in a joint competitive struggle against capitalist rivals. Holland's position has moved from being radical critic to supporting mentor of MNCs.

We have mentioned how the state's relationship with MNCs is one of contradictory unity; there are two sides to this relationship, the state expresses



MNCs interests yet appears in conflict with them. Holland's political economy has moved within these contradictions: on the one hand, in his earlier writings his perspective is from the pole of conflict; in the *European Imperative* his perspective is from the pole of advocating their interests. In the latter sense he can be said to be a member of what Mandel might term a nascent 'European State' (1978, Chap. 10): for Holland is acting as a European bureaucrat promoting European policy to manage European capitalism.

Holland's use of the Japanese model of flexible production was typical of progressive competitive strategists who were subject to what Curry has called the 'flexibility fetish' in the early 1990s (Curry 1993, p. 98). Flexible production and flexible specialisation were touted as the cure for the 'sclerosis of big firms' and was promoted as the progressive alternative to fordism (Curry 1993, pp. 99-100; Coates 2000, p. 233). The focus on flexibility was symptomatic of a left that had abandoned old formulas and sought alternatives in the 'politics of technical adjustment which is ultimately a politics with little real popular or democratic political content' (Curry 1993, p. 121). It neglected the class relations of production at the root of the industrial crisis (Vercellone 1993, pp. 181-187). Those who attempted to construct a progressive political-economic project on the basis of a 'non-holistic and ahistorical interpretations of the key underpinnings of Japanese competitiveness' have been criticised as 'methodologically flawed' and also 'politically dangerous'. It has contributed towards a liberal-left consensus that created a picture of capitalism that was capable of being reformed into 'a humanized and socially progressive system' and posited progressive capitalist

competitiveness as the only alternative for the foreseeable future (Burkett and Hart-Landsberg 1996, p. 80-81).

This type of capitalist-cum-social democratic admixture or left-liberal consensus of the variety Holland prescribed has relied on technocratic solutions and undermined popular mobilisation around the socialist change which required a 'transformation of the state'. The latter was required rather than a rightward drift under the 'intensifying competitive pressures of capitalist globalization' (Burkett and Hart-Landsberg 1996, p. 80-81). By accepting capitalism's basic structure and its competitiveness imperatives Holland submits to the contradictions of capitalist accumulation. Holland's promotion of a model of "efficient" capitalism becomes a substitute for a struggle for a socialist society.

Holland's use of the Japanese model raises issues related to the neo-institutionalist debate about the varieties or models of capitalism in comparative political economy. These different models of capitalism became a battleground between the right and left after the end of the Cold War (Radice 2007, p. 35). The objective of both was to provide a model of capitalism which would convince 'political elites that some specific variety would generate superior results in terms of desired outcomes imputed to a given society' (Radice 2007, p. 35). Holland's promotion of the Japanese model is one example of this trend. Later, for others on the left, after the Japanese economic slump from the mid-1990s Germany's social market was substituted (Radice 2007, p. 35; Crouch and Streeck 1997, p. 4; Coates 2000, p. 234). Whereas, previously the conventional economic explanation had argued that the economic competitiveness of a state stemmed



from macroeconomic explanations in the early '90s this perspective was challenged (Hart 1992, p. 28; Radice 2007, p. 36). The varieties of capitalism authors stressed an additional factor which was the 'state-societal' arrangements or the 'effectiveness of institutions in managing a country's economic responses to the challenge of international competition' (Hart 1992; Radice 2007). The political significance of this was that these models became banners of political partisanship and were paraded in defence of a particular strategy or policy (Van Apeldoorn 2002, p. 78; Hermann and Hofbauer 2007, pp. 134). The models are the expression of different social classes or changing class attitudes in the struggle to realise their particular strategies (Van Apeldoorn 2002, pp. 69-79). Holland's construction of a 'European social model' (ESM) in his work the *European Imperative*, where he recommends the combining of the 'best elements' of European and Japanese practices can be seen as part of the Delorist vision of a 'European model of society', which represented an attempt to attain a social democratic vision of a united, European capitalism (Van Apeldoorn 2002, p. 79). The fact that this model was not adopted reveals, for Van Apeldoorn, how the interests of transnational capital had moved towards neoliberalism in subsequent years (Van Apeldoorn 2002, Chap. 4; Hermann and Hofbauer 2007, pp. 125). Today, the ESM has become a political battleground for the future of Europe (Hermann and Hofbauer 2007, pp. 135)

Holland's policies have been defended stoutly by Gerard Strange as both a rearticulation of social democratic regulation around the 'competition state' and at the same time a 'shifting [of] the balance of market power in favour of labour and social democracy'. He regards Holland's policies as exemplifying an

‘optimistic neo-Gramscian’ perspective as opposed to the ‘negative, pessimistic’ views of those such as Stephen Gill and Bastian van Apeldoorn (informed by a ‘pessimistic neo-Gramscianism’) and the structuralist dependence theories of Coates and Radice who all share a sceptical assessment of the ‘progressive’ (social democratic) potential of European integration (Strange 2006, pp. 198-201). Strange’s main argument is that the EC’s commitment to neo-liberalism and tight monetary policy is contestable and open to challenge and that Holland’s policies offer a way forward for a viable progressive policy. It is Strange’s objective to highlight the potential of the role of agency against structure and to assert that through ‘conflict and contestation, alliance-building and compromise’ a social-democratic inspired Europe based on progressive competitiveness rather than progressive austerity (as Coates prefers) can be established on the lines of Holland’s prescriptions (Strange 2006, pp. 198 ff.).

The problem with this perspective, and by implication Holland, is that it fails to take into account the context and ideas that have informed the agent and the social content of the ideas that constitute the agent’s worldview. It fails to explain how and why Holland and others that support him, such as Strange, have adopted such positions in the first place. We have tried to do this above: to show how the materialist context (in the broad Marxist sense) in which Holland found himself led him to adopt a regional perspective, to recast his former policies for industrial intervention into policies for embedding capitalist competition, and to lend his support to European big business in their project to intensify competition within the European market under the flag of ‘flexibility’ and to beef up their global competition against their capitalist rivals. This was done, in Holland’s terms, to



save social democracy. All in all, Holland's policies have but one result, the intensification of interimperialist contradictions on the basis of building working class support for the European project. Structural causes can not only be conceived as constraint but can also be conceived as the foundation of the ideas that the agent possesses – surely this is the contribution of Marx in his writings on historical materialism. Moreover, structure should not be conceived of as uniform, the structure of capitalism is dynamic and bifurcated around the central class struggle of bourgeoisie against the working class. What gives shape to the ideas that social agents possess is precisely the product of that conflict in its historical conjuncture and their understanding or consciousness of it. Holland's regional strategy is a product of that class struggle in the context of the 1990s and his own intellectual development and social and political position within that struggle.

#### *5.5.4.4 Holland and Social Europe*

It may be remembered that in our last chapter Holland was pessimistic about the EC adopting strongly interventionist social policies. As late as 1986 he was still campaigning for his multilateral, international strategy (Holland, 1986). These policies were frustrated, according to Holland, at the Commission level by the dominance of laissez-faire ideas, negative integration policies and the opposition of multinational monopolies. Within his Poulantzian framework the provision of such policies would remain the function of the nation state. The political situation had changed for Holland, however, following Delors plan for a 'Social Europe'

announced in 1988.<sup>132</sup> By 1993, in support of a social-democratic, federal project, Holland advocated EU welfare policy intervention as the basis for building “consent and support” for the European integration process. This intervention was to complement the national welfare programmes which should receive favourable treatment by being excluded from the budget limits of the Maastricht Treaty (Holland 1993a, p. 138). The obstacles to progress, in Holland’s view, were no longer the MNCs and the EC Commission; and the political opportunity of winning a “progressive competitiveness” policy within the EU suddenly seemed promising (Thompson 2002, p. 258). A policy, it must be remembered, that intrinsically tied workers to a European struggle for markets including the internal market (as Holland was against the ‘Fortress Europe’ concept). The foundation for such policies, as Holland conceded, required economic growth and raising ‘productivity through flexible production’ along with enhanced redistribution of wealth (Holland 1993a, p. 134).

Holland’s rapid conversion to optimism on the prospects of a Social Europe was founded on the changes of the individual composition of the personnel in authority in the EC (i.e. Jacques Delors), the presence in government in some countries across Europe of governments favourable to developing and extending European integration (mainly France and West Germany) and European Trade Union support (Van Apeldoorn 2002, p. 147). In Britain the dominance of the neoliberal Thatcher government appeared to offer no prospect of the changes Holland envisaged (Fella 2002, pp. 25-27).

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<sup>132</sup> Hermann and Hofbauer attribute the invention of the European social model to Jacques Delors (2007, pp. 126).



Did Holland's policies have influence? Holland claims that they did. His ideas became the basis of the 1993 White Paper on Growth, Competitiveness and Employment which gave the rationale for the first employment targets of the EU. His Union bonds ideas were endorsed at Luxemburg in 1997.<sup>133</sup> Euro bonds are now issued by the EIB and states do not count borrowing from the Bank against national debt and the potential for recovery programmes financed by the EIB is 'vast'. The European Investment Fund is operational on a basis Holland advocated; and Union Structural funds incorporate human resources objectives. Trade union involvement in democratising the market is accepted as pluralizing power within the EU (Holland 2004b, pp. 182-3).

A more critical approach is not so positive. Although there have been plenty of declarations and proposals especially at the Lisbon Summit in 1999 "little has been done in the way of concrete actions" (Giffen 2001, p. 89). Furthermore the creation of the single market did not take place with the accompanying social protections Holland advocated. The social dimension remained sidelined and the social-democratic strategy unsuccessful (Hermann and Hofbauer 2007, p. 127). The competitiveness concept adopted was not the extensive social democratic version that Holland advocated but a more restricted neoliberal concept (with an emphasis on the deregulation) combined with the demand that the 'conditions of competitiveness' be created (Hermann and Hofbauer 2007, pp. 125 and p. 127; Van Apeldoorn 2002, p. 173). Inequalities in social provision among states remain (Giffen 2001, p. 90). Obstacles to a fully fledged EU social policy remain, including the: diversity in the conditions of member states; the contentious nature

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<sup>133</sup> Blackburn (2005 p. 89); Hermann and Hofbauer (2007, p. 129) point out that this was after huge demonstrations in Europe against unemployment.

of social policy issues; the variety of national social policy regimes; the reluctance of states to give up management of social policy; and the degree of budgetary transfers necessary for an EU social policy (Nello 2005, p. 304; Leibfried and Pierson 1992, pp. 356-357; Scharpf 1999, p. 187ff).

The prospects for a Social Europe have also been made more difficult by the adoption of monetary union which has place restraints on EU member states' ability to develop welfare spending policies (Hermann and Hofbauer 2007, pp. 128)

#### 5.5.4.5 *Monetary Union*

Holland in the *Uncommon Market* condemned the idea of monetary union on four grounds: (a) that such union undertaken in the context of monetarism or tight monetary policies would result in attacks on wages, public spending and public enterprise combined with the inability of governments to reflate; (b) it would deprive individual member countries to pursue independent development policies (Holland 1980, p. 82); (c) it would act to the benefit of the strong – whether big business, social classes or countries (Holland 1980, p. 154); (d) it would establish German dominance over the EEC (Holland 1980, p. 155).

By 1993 he held that monetary union would benefit all by providing stable exchange rates and hence the context of greater fiscal and macroeconomic



freedom. His volte-face on monetary union<sup>134</sup> could not illustrate better his inconsistency in terms of political economy. His rationale was: (i) although he accepted that monetary policy would be tight under the new regime nevertheless there opened up compensatory benefits of a European currency regime primary amongst which was the opportunity for greater fiscal freedom at European level. Nation-states however could not do this, he argued, as this would lead to an undermining of monetary union. In other words, he was prepared to sacrifice national macroeconomic policy for a European one. (ii) National governments were undermined in their macroeconomic policy by global and European developments. Van Apeldoorn adds another dimension which is that it would help pave the way to a political union which would make the EU stronger (Van Apeldoorn 2002, p. 149).

Economic and Monetary Union, due to both its significance for European political union and for democracy, has proved to be one of the fiercest centres of debate for those in radical international political economy (e.g. G. Strange 2006, pp. 202-215; Gill 1998; Whyman, Burkitt and Bainbridge 2000; Carchedi 2001). Debate has revolved around three aspects of EMU: (a) the impact and effects of EMU; and (b) criticism of the institutional design of EMU (c) the class analysis of EMU (Verdun 2007, pp. 334-5; Van Apeldoorn 2002, Carchedi 2001). Whyman, Burkitt and Baimbridge (2000) have argued that EMU and the associated Maastricht Convergence Criteria (1993) and Growth and Stability Pact (1997) impose heavy burdens on nation states and constrict their choice of macroeconomic instruments to deal with various problems. They maintain that

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<sup>134</sup> Tindale notes that there was a change of position on the left towards monetary union in the early 1980s; it was now seen as 'a step on the road to controlling international capital' (Tindale 1992, p. 284).

nation states can still have an effective national economic policy outside of EMU. Strange (2006) argues that the ECB is subject to democratic accountability or political pressure and that its legitimacy depends on its contribution to EU macroeconomic treaty objectives including growth and employment. Moreover, the negative aspect of its monetarist policy is balanced by the new fiscal flexibility at EU level that has been gained through monetary union. Critics of this viewpoint argue that the conditions of monetarism are deflationary (Gill 1998; Van Apeldoorn 2002) and the convergence criteria have been too tough. The Maastricht caps on fiscal deficits created pressures on welfare provision including pensions and on public sector expenditure (Hermann and Hofbauer 2007, pp. 129). This is limiting the scope of social democratic options at the national level. This is one of the social-democratic dilemmas in supporting the EU (Baimbridge, Whyman and Burkitt 2007, pp. 74 -75). Baimbridge, Whyman and Burkitt are sceptical about both Holland's and Strange's claim that the new fiscal powers of the EU are a counterbalance to monetary union. They highlight the point that the budgetary requirements of EU intervention on a European scale would require a sizeable increase on current levels which would in turn lead to increased political tensions as to who was to bear the burden (Baimbridge, Whyman and Burkitt 2007, p. 75). This would intensify the conflict between the various national imperialisms within the EU.

A Marxist analysis of EMU highlights how it works to the benefit of advanced capital and particularly the most powerful sector of that capital in Germany. But capital as a whole benefits from the renouncing of inflation and devaluation as it results in increased surplus value at the point of production. European goods both



in the external and internal markets have to be produced more efficiently to be competitive i.e. at the expense of labour.<sup>135</sup> Flexibility of labour is a means of raising surplus value while at the same time increasing the output of labour and remaining competitive. Deregulation of labour markets and reregulation of social welfare help this intensification of the exploitation of labour that is required by capitals under conditions of stable or fixed exchange rates. Thus we see how flexibility, monetary union, and competitiveness are joined together as different elements of one goal - the increased accumulation of capital in the European space. The institutional 'independence' of the ECB serves the purposes of 'relatively autonomous' supra-national financial capital in imposing these conditions on industrial capitals in Europe so that in turn greater sums of surplus value is turned out increase, in part, the returns to financial capital whilst at the same time forcing European industrial capitals to be more competitive. However, this exposes the myth about ECB 'independence'. It is independent of political parties and national governments but is irrevocably dependent on the interests of European capital (Carchedi 2001, p. 129 ff., p. 140; Bonefeld 2002, pp. 132-135; Burnham 1999 pp. 51-52).

Furthermore, the forging of Monetary Union does not just have internal European repercussions; it also has external interimperialist repercussions. This was explored in our section on bloc imperialism.

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<sup>135</sup> A similar point is made by Burnham in relation to Britain's participation in the ERM in the late 1980s. (Burnham 1999, pp. 49-50).

## 5.6 *Holland and the Politics of the EU*

### 5.6.1 *EU State-building*

The logic of Holland's position is to build the EU as a state. If the nation-state is powerless before multinational capital and cannot fulfil the purposes social-democrats require of it then that state, from their point of view of state management, has to be found elsewhere. However the EU is not yet a state (Cini 2007, p. 2)<sup>136</sup> and the crux of Holland's European project, which is entailed from its implicit assumptions, is to lay the foundations for one to be built. The preliminary building bricks are the policies of economic and social cohesion. As Holland stated in *UM*:

It is only when Europe has a state structure, with its own budgets, projects and contractual power that it will be able to countervail multinational capital by a multinational state (Holland 1980, p. 115).

This functions to further tie in interest groups i.e. capitalists, small business and workers, to the benefits the EU can offer. This was an integral element of the Delorsian project which Holland continues. As Ross has written:

The backbone of Delors' strategy was to promote state-building programs on the back of market-building success' (Ross 1995, p. 109).

Cafruney, too, has commented upon the implications of such a project as Holland's (2003, p. 300). He considers it would require a 'central authority to compensate for the loss of national autonomy'; it would require a substantial

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<sup>136</sup> The state question remains contested (Cini 2007, p. 2)



increase in budget; a single fiscal policy including taxation and considerably higher levels of interregional redistribution; and a common foreign policy and defence policy (Cafruney 2003, p. 300). He adds as an afterthought that such a programme would ‘certainly trigger a strong U.S. reaction’ and the ‘political conditions... do not exist at the present time’ (Cafruney 2003, p. 300).

The state Holland is building, however, as we have tried to illustrate in this chapter, is also a capitalist and imperialist one (Mandel 1978; Van Apeldoorn 2002; Carchedi 2002, p. 166; Cypher 1992; Albo 2003). Holland’s project is therefore the social-democratic counterpoint of the project of the European bourgeoisie. However the project is riven by inter-imperialist contradictions. (Carchedi 2002, p. 38 and p. 167).

Holland in the *Uncommon Market* offered an alternative to the political structure of the EC built around the concept of national sovereignty and accountability of internationally agreed decisions and policies within the EC. It was an attempt to make the ‘supranational’ EC accountable to nation states. This was Holland’s solution to the perennial political problem of the EC / EU; what is now called the ‘democratic deficit’ (Chryssochoou 2007, p. 360).<sup>137</sup> In the *European Imperative* the concept of national sovereignty has gone. Holland’s antagonism to federalism and supranationalism which he made one of his key arguments against the EC was dropped and replaced by an acceptance of the EU as a *de facto* reality; in other words he elevates the European interest over the national interest.

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<sup>137</sup> There are various definitions given to the ‘democratic deficit’: see Chryssochoou (2007, p. 360). In turn this depends on the concept of democracy one has. In this thesis the view adopted is that democracy means more than elections, plural political parties and public accountability of some form. It is seen primarily in terms of popular participation in the organs of power (See Carole Pateman 1975).

Consequently, national sovereignty is no longer a central demand in Holland's political strategy; it is replaced by the concept of 'effective sovereignty' which is cast in the form of defending 'sovereignty by extending it' (Holland 1993a, p. 16). By this Holland refers to EU support for measures taken at a national level. It is justified on the grounds of the developments within the global economy (Holland 1993a, p. 17). It is, for him, the only way governments can have effect. He adopts a multilevel governance approach where interactions and joint actions at different levels occur (Holland 1993, p. 17). This is similar to the situation which Rosamond describes where 'national policy-making and European policy-making become 'blurred to the point of insignificance' (Rosamond 2007, p. 129). His proposals for a the President of the European Parliament to attend meetings of the European Council and more accountability through reporting of voting and decisions of the Council are meek when compared to his tirade against the 'figleaf' powers of European Parliament he made in the *Uncommon Market*. It is rather ironic that the thinker who started out his public career in berating the multinational corporations and the EC in denying national economic sovereignty and negating national democracy (Holland 1986, p. 228) should come to the point where he accepts that national sovereignty can be effective no longer and has to subordinate itself to the EU without a stronger vision of how democracy can be made real in the context of supranational authorities (cf. Held 1995, pp. 111-112 and pp. 254-255).



### 5.6.2 *The Implications of Holland's Political Economy for European Social-Democracy*

Within social democracy, in the contemporary era, there is a movement of two trends: the one, advocates an alliance with European monopoly capital in the project of creating a European managed capitalism, the other advocates an alliance with national monopoly capital in the project of national social democratic management of capitalism (Martell 2001, *passim*).<sup>138</sup>

These two trends are but the obverse expressions of a single process of the contradictions of capitalist accumulation within Europe. In other words, capitalist accumulation in Europe expresses itself in two ways: on the one hand, the desire for each “national” based monopoly capitalism<sup>139</sup> to extend its own accumulation against the others but on the other hand, the realisation that such “national” accumulation is undermined by the competition against more powerful capitals within the existing global political economy, this latter trend reinforces the tendency for “national” monopoly capitals in Europe to attempt to unify themselves into an imperialist bloc to compete with its global rivals (Mandel 1970 p. 55ff. and 1978, Chap. 10; Carchedi 2001, pp. 116-117; Palmer 1986, p. 52). Two tendencies are at work in a contradictory unity. Peter Burnham (1995) hints at this dynamic when he writes that the

“national form of the state is increasingly unable to function as an integrated unit supplying the political stability which is the prerequisite for global class relations. . . . the most powerful national states . . . are turning to seek regional solutions... the prospect of a simple transfer of authority from the national to the regional is most unlikely.” (Burnham p. 110)

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<sup>138</sup> A third level may be identified with the global, but it is beyond the bounds of the thesis to explore in depth this route (Stammers, 2001; Shaw 2001).

<sup>139</sup> The countries referred to here are primarily France, Germany and the UK. The relations between these states and the others cannot be entered its here due to limitations of space.

national social-democratic project in the contemporary global political economy. This estimation was founded on well-rehearsed arguments of Holland. Furthermore Holland believed that international co-ordination of national social-democratic' project to be impracticable. These two premises, combined with a refusal to embark upon a more radical national strategy, i.e. building socialism in one country, led Holland to the conclusion that the European Union, or the regional political economy was the way forward.

The essence of Holland's analysis of the European Union's political economy was that it held out the prospect of a new, revived social consensus. The outlines of such a consensus were elaborated in the *European Imperative*. The object of the strategy was: to build the European Union as a state; to enable it to conduct policies of the state management of capitalism; to cement the alliance of European big business and the European working class around that state through policies of social and economic cohesion; to intensify the competitiveness of European capitalism against its rivals; to enhance that competitiveness through monetary union; and to modify the political institutions of the EU to make them more accountable to the European Parliament; and to legitimate the whole European Union in the eyes of the European, but particularly, the British working class.

The criticisms of such a project presented from the standpoint of the theory of a European imperialist bloc were that: the strategy locked the working class of Europe into the strategies of the imperialist European bourgeoisie. Holland's policies, overall, follow the interests of the European bourgeoisie in building a



In social-democratic terms this process expresses itself in the conflict of strategies. Which set of institutions, national or European, offers more hope of state management or regulation of capitalism? This is one of the key social-democratic dilemmas that ‘globalization’ confronts for strategy (Thomson 2000; Thompson 2002; Martell 2001).<sup>140</sup>

Moreover Holland’s political policies do not overcome a central contradiction for social democracy in its attitudes to the EU. As Geyer (1993, p. 104) and Bailey (2005) point out national social-democracy has derived its power from its ability to mobilize and organise progressive social forces within the nation-state. Social democrats, such as Holland, by giving support to the European Union and linking policies to it undermine their base in the national ‘community’ and weaken the ‘social solidarities’ which have formed the organisational base of traditional social democracy (Geyer 1993, p. 104; Bailey 2005, p. 16). Holland’s policies undermine his fellow national social-democrats. Social democracy, in the light of Holland’s European strategy, is caught in a dilemma (Thomson 2000; Holmes and Lightfoot 2007, p. 155).

### *5.7. Conclusion*

In this chapter we have examined Stuart Holland’s European regional political economy and strategy. The basis of the political economy and strategy was his pessimistic estimate of the national political economy to be able to sustain a

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<sup>140</sup> This, of course, is a problem that applies to parties other than social-democratic.

European 'state' or power base (Schnabel 2007; Haesler 2004; Van Apeldoorn 2002; Carchedi, 2002, p. 167). It was on their initiative that Europe was relaunched in this form and their purposes were the further intensification of the exploitation of the working class through flexibility, which Holland promoted, combined with a new assault on overseas markets. Holland's promotion of the policies of competitiveness did not serve the interests of workers. The policies of monetary union and its impact are much debated; however, the viewpoint taken here is that monetary union further moved economic power into the hands of financiers and industrial capitalists. EMU compelled industrial capitalists to compete either through greater productivity or cutting costs, both of which were inimical to workers interests. The argument was also made that capital aware of the negative consequences of its project want to collaborate with social democracy in its project. This served the purpose of ensuring social stability, providing the trained labour required for production flexibilities, and creating a pool of workers who supported the European project. This, it was pointed out, was the part of the two cross-cutting tendencies of capitalism. On the one hand, capital seeks to accumulate capital at the expense of labour, on the other capital has to make itself legitimate before the working class. This provides the social base for imperialism. It is one of the purposes of role of social democracy to fulfil this role as was illustrated through Holland's policies. Further, the promises of 'Social Europe' that Holland suggested might be the fruit of competitiveness were questioned.

Lastly the logic of Holland's position leads to support for a European imperialist state. The implicit assumptions of his project are federalist. This explains his



attitudes towards the political reforms that Holland proposed for the European Union as a pale shadow of these that he recommended ten years earlier in the *Uncommon Market*. The problems of the ‘democratic deficit’ would still remain within Holland’s model of political Europe, for instance, he makes no recommendation regarding the democratic power of the European Parliament over the European Commission other than its President should sit on the Commission.

Social democracy’s problems would be intensified not resolved by such a project as Geyer (1993) indicated. Furthermore, Holland’s policies, far from bringing the working class closer to socialism would only intensify its own exploitation and interimperialist rivalries as Beitel and Carchedi argue. Furthermore Holland does not elaborate how the European working class will assert its interest through the current institutions of the EU (Carchedi 2002, p. 167).

Holland does not make a coherent or plausible case for a socialist strategy focused upon Europe. He readily admits that Europe does not have state power; that state power which is capitalist state power still resides in the nation-state. If Europe should accrue to itself those powers which make it a state, i.e. the “quality of power” that Holland wrote about in the *UM* then the focus of socialist strategy should, and would inevitably, be focused upon it. However while those ‘qualities of power’ remain with the nation-state and it is that state power which sustains capitalism then it is socialism’s task to confront that state power so that a new socialist state power can be built.

## Chapter 6: Conclusions

It was argued in Chapter One that Stuart Holland provided ‘a convenient opportunity to enter into a debate with a representative of left social democracy about how to analyse the changes in global capitalism and to discuss the political strategies open to the left.’ The research aims of the thesis went on to ask: (a) In what ways did Holland’s theories of the changes in the political economy of capitalism, specifically, in relation to the British political economy and the European political economy, differ from Marxist analysis (Holland 1976a, 1980, 1983 and 1993a)? (b) Related to the above, to what degree are the various strategies he promotes a break with capitalism?

To some, Holland’s theories were consistent with Marxist tenets, and his strategies were viewed as socialist. Marxism, like socialism, has incorporated different trends of thought within it which have embraced theories similar to Holland and yet defined themselves as Marxist rather than social–democratic (e.g. the New Left, NeoGramscians, and Eurocommunism, see Kolakowski 1981, pp. 487-494; Prior and Purdy 1979; Townshend 1996, Chap. 12 and 14; Strange 2006; Holland 1979c; Barratt Brown 1972a, 1972b, 1976; Williams 1968, Held 1988, Wood 1983 and 1986; Tsakalotos 1991). So even though Holland did not call himself Marxist this did not mean that he did not share ideas and theories with certain Marxists. In fact, he quite clearly did.<sup>141</sup> Marxists of various persuasions, in a similar vein to Holland, rejected elements of Marxist economics; regarded multinational monopolies as the major obstacle to state

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<sup>141</sup> It should be noted that Holland was a participant in a Labour Party pamphlet (1980) which called for rapprochement with Eurocommunism on two grounds: (a) there were certain similarities in political outlook; (b) that a socialist programme was no longer convincing in the context of one country and therefore alliances were necessary in Western Europe (p. 65).



intervention and macroeconomic policies; advocated state capitalism; incorporated non-Marxist concepts into their 'Marxism'; regarded the state as neutral; considered it to be a post-imperial age and replaced an inter-imperialist rivalry by a struggle between MNCs or between MNCs and the state; and argued the nation-state was finished and preached support for regional politics. Holland, in many ways, shares these Marxist views. His left social democracy is, at times, difficult to distinguish from certain elements within Marxism. We have attempted in this thesis to argue that Holland's political thought is at odds, rather than in synchrony, with Marxism.

Although Holland's works are littered with concepts drawn from Gramsci, Poulantzas, Althusser and Marx, the argument of the thesis has been that Holland's perspectives have not been influenced in any way by a consistent Marxism. In Chapter Two I established the theoretical differences between Holland's perspectives and Marxist perspectives on a variety of issues. I indicated that Holland's conception of monopoly capitalism was based on the theories of imperfect or unequal competition and power over the market rather than on the drives of capitalist accumulation and historical developments that led to stages in the development of the firm. I illustrated how his theoretical roots in relation to monopolies and their multinationalisation and to macroeconomics owed more to Keynesian, neoclassical and welfare economics and thinking within the American business school than it did to Marxist economics. There were some influences within his thought of the Marxist internationalisation of capital school. It was pointed out, too, that there were influences of Marxism within his thought with the use of concepts like class, state power, ruling class,

monopoly capital, and capitalist state (1976a, p. 15; 1976a, p. 26-27, p. 62) but he does not adopt any systematic approach in their use. In fact, the theory of surplus-value, the lynchpin of Marxism's economic theory and the foundation of Marx's critique of capital is discarded by Holland (Holland 1977). Without this cornerstone concept Holland cannot explain capitalist accumulation, class struggle, the nature of economic crisis or the capitalist state within a Marxist frame of reference. He must use tools of analysis outside of Marxism, hence his theoretical pluralism and hence his reformism. This fundamental flaw in Holland's political-economic thought leads to a pluralist, eclectic melange of concepts used to explain the changes in global capitalism and specifically changes in the British and European political economy.

The theoretical differences with Holland were not confined to economics. Differences were also indicated on the theory of state capitalism where it was maintained that Holland did not perceive such policies as having limits within the capitalist system or if he does he perceives them as not insuperable within capitalism. The main reason for this was that he could not recognise the state's critical task in the reproduction of capital within the imperialist system. We maintained that the capitalist state could not transform monopoly capitalism to the degree that monopolies would no longer dominate or could be regulated and subordinated to the state. Monopoly capitalism, we argued, is capitalism today. Monopoly capital acts globally. Capitalism is inconceivable without its presence given the scale under which production has to be undertaken. Moreover, monopoly capital drives the system and given its structural power within the system and the state's inherent connection with it (Bridges 1974; Burnham 1995),



and the impulses that derive from capitalist accumulation, the state could not be utilised to manage it, other than in exceptional and temporary circumstances necessitated by the demands of monopoly capital itself (e.g. severe economic crisis, war). State capitalist measures within capitalism are limited by monopoly capitalist needs either narrowly or broadly defined (i.e. in the sense of direct support, or indirectly in terms of social stability).

One important note of praise about Holland's work is that he makes the point that modern monopoly capitalism is reliant on the economic intervention of the state (Holland 1974, 1976a, 1979c, 1993a, 1994 pp. 176ff.). This aspect of the state's role within capitalism is often forgotten amidst the ideology of neoliberalism. Yet in states across the world, including the USA, public monies are used to sustain private enterprise especially in the defence industries. The same is true in the European Union (Anderson, Gutmanis and Anderson, 2000, *passim*; Kolko 1988, p. 190). The state, too, in many countries, has also had to be deployed to prevent monopolies, or groups of monopolies, from abusing a market. This role of the state in supporting or managing capitalism helps breed the illusion that state capitalism can be utilised for social purposes, to transform the capitalist system into socialism, through a restructuring of the relationship between private and public enterprise (Holland 1976a; Laux and Molot 1988; Molot 1990).

However as we have seen in Chapter Three the possibilities of this are negligible without introducing broad forms of social power which insure the public scrutiny and public accountability of such enterprises. Otherwise the logic of capitalist competition will ensure that such public enterprises will follow the same route of

private monopolies of evading the constraint of public power. Holland's policies in his national strategy, therefore, were not coherent and cohesive and are seriously flawed from a Marxist point of view. The policies failed to address the issue that British imperialism had long been the character of the British political economy. Holland could not recognise the long standing role that British monopoly capital had played in the British political economy. British capital had moved abroad in order to extend its role in capitalist accumulation. The British state was committed to this imperialist perspective; it facilitated the reproduction of British imperialism in the world economy. A policy of state managed enterprises within this context could not but achieve one outcome: state support for that imperialist role. Public enterprise policies without confronting the nature of the British state inevitably end this way. This may have paid dividends to the British working class in terms of a higher standard of living and taxes for extended welfare (provided more capital is not exported or does not flee as a result) but it entailed collusion in imperialist policies. From a Marxist perspective, that would not be consistent with the objective of achieving socialism and ending labour exploitation.

A criticism of Holland's policies is that they are structured in the context of capitalist competition. They promote progressive competition. The problem with such policies is the basic compositional fallacy of aggregation i.e. not all countries can adopt such policies to solve their individual imbalances (Albo 1997, p. 22). The implicit assumption of Holland's national strategy is that other countries do not follow suit or are prepared for their markets to be flooded with goods. Neither is realistic. It is highly likely that such competitiveness as Holland



promotes will provoke a response, either counter-measures of competitiveness or protectionism. The former implies worsening conditions of work for labour, and the latter, if left unchecked, means a disintegration of the postwar order and return to the prewar-1945 struggles for markets. It is no wonder, therefore, that Holland abandons unilateral strategies for multilateral strategies and then global strategies of international Keynesianism and a New Bretton Woods<sup>142</sup> (Holland 1994b). The logic of Holland's policies compels him, due to the nature of the anarchic global capitalist accumulation process, to seek to manage capitalism on an ever larger scale. He is caught in an upward spiral of scope of policy from national to regional to global due to his initial strategy of competitive public enterprise.

The most important issue to come out of my theoretical critique of Holland was the problem of the state. The position I have adopted in the thesis is that the state in Britain or what is described as an 'advanced capitalist country' is an imperialist state. This characterisation of the state sets it in the context of global accumulation both within a territory and within global accumulation (Burnham 1995, p. 150). I defined the state as an expression of property relations, the property relations of monopoly capitalism which is in a contradictory unity with individual monopoly capitals. Capitals are both separate from and united with the capitalist state. This sets my theory of the state apart from those used by other Marxist thinkers in radical international political economy. Other theorists define it simply as a class relation or in structural functionalist terms or in instrumentalist pluralist terms. The advantage of the imperialist concept of the

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<sup>142</sup> Bretton Woods (1944) established an international monetary order between nation-states. It collapsed in 1971.

state is that it expresses not just its domestic class order role but also its external, global role in asserting property relations globally (not just the orderly conduct of markets).

The antecedent condition of the circuits of capital globally is the emergence of private property relations and their maintenance and this is exactly what the imperialist state helps create and maintain (Clarke 1988). It maintains these private property relations through all the means at its disposal. This is the significance of the excellent work by the realist regime analysts Charles Lipson (1985) and Stephen Krasner (1985). Lipson writes of the formation and maintenance of an international property regime globally over the nineteenth and twentieth centuries. A regime enforced by the dominant capitalist states. He also notes how that regime has been subject to struggles between states over the principles of property relations (private or public). Those struggles have been an expression of different class forces seeking to impose their particular property order against others. It is this aspect of the state's role in maintaining global private property relations that the concept of the imperialist state expresses. Krasner (1985, pp. 4-5), too, has defined regimes as a struggle over the distribution of property rights. Lipson (1985) has highlighted the struggle around an international property regime in relation to private property rights. Antonio Cassese (1988) has noted how international legal concepts have developed in relation to struggles over property rights. The European Union is founded on the free movement of capital (Weatherill and Beaumont 1995). In all these respects, then, both globally and domestically the imperialist states have the prime task of maintaining property or class relations.



There is another aspect of the state that also developed in my critique of Holland. This is the question of the locus of the state and state power. This is a critical aspect of any socialist strategy. Holland well understood this. Central to his strategy was a state powerful enough to confront monopoly capital (in its rival form i.e. US MNCs). Holland believed at first such power could be developed within the nation-state and when that was found wanting he looked to multilateral initiatives and finally European regional 'state' action. Thus for him state power in the contemporary age had moved its locus away from the nation state towards a regional body. This concept is pregnant with implications. Of course, it challenges notions that capital relations are tied to the nation-state as Bukharin maintained (Bukharin 1975). The nation-state is not the only form of state compatible with monopoly capital. It opens up the question how are state forms transmuted from the national form to the regional form?<sup>143</sup> Do they have the same attributes? How do we know when the nation-state is 'dead'? What criteria should socialists adopt in such situations? To what centre of power, to what power, should their strategies focus on? It is these types of questions that I have been exploring in the thesis.<sup>144</sup> Trying to tease out through Holland's writings and those of his critics what implicit assumptions they are making about the state and state power.

What criteria did Holland have for judging a switch of focus in strategy? His answer: a lack of economic powers. It is an answer that others on the left have

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<sup>143</sup> Some interesting work has been done on this by multilevel governance theorists, see Hooghe and Marks (2001).

<sup>144</sup> These questions form the basis of avenues of future research for the political aspects of the theory of bloc imperialism.

drawn too, such as Barratt Brown (1972a), Radice (1984), Strange (2006), Clift (2005) etc. Others have been drawn by the ‘internationalisation of the state’ thesis (e.g. Picciotto 1991 and 1991a, Shaw 2000; Held 1988). Recognising that the nation state is now caught in a web of commitments, networks and international and global organisations they have suggested that movements direct their attention away from the nation state. The weakness in all these arguments it seems to me is that they fail to perceive the difference in the unity. What I mean by this is that although there are movements towards economic, political and cultural globalization (Held 2000) which reflect in part the growing interconnectedness of capital there is at the same time another tendency towards fracture of the international community into blocs or even returning to ‘national’ states. This duality is not only a cultural or social phenomenon, it also reflects monopoly capital. Monopoly capital as we illustrated in the thesis acts both globally and is still anchored to the state nationally. States continue to perform the vital task of upholding private property. That is their primary role. Thus there are tensions: pressures to move beyond the nation-state and needs to stay with the nation-state. This is capital’s dilemma. This phenomenon is revealed most sharply in European integration: where the need to compete with larger capitals has forced the imperialist states in Europe to reconsider their nation-statehood (Mandel 1970 and 1978; Rowthorn 1971; Carchedi 2001). Europe, the centre of historical imperialism, has seen the strongest form of imperialist bloc formation.

Each imperialist state struggles against its rivals within this pattern of global accumulation not just in the Third World but in each other’s countries too. This point cannot be emphasised enough. Many a political thinker has argued that



imperialism is disproved by the fact that capital is mainly invested in other industrial nations rather than Third World countries but this goes to prove the point. Capital seeks new labour whenever it can and this means everywhere. What has led some into error, such as Holland, is thinking that this implies some sort of ultra-imperialism, that inter-imperialist rivalry has disappeared (Hardt and Negri 2001; Becker and Sklar 1987). Nothing could be further from the truth. What has occurred is that inter-imperialist struggle has had to take new forms and developed new means (Mandel 1978, Chap. 10). There is no doubt that US super-imperialism after the war helped modify these inter-imperialist rivalries as did the fear of Communism (Bonefeld 2002; Panitch 2000; Poulantzas 1974). Nevertheless, bloc imperialism managed to emerge in Europe after 1945.

In this thesis I have contextualised my critique of Holland within the theory of emergent bloc imperialism. By 'emergent bloc imperialism' I mean the process whereby national imperialisms form themselves into a single political-economic bloc to further their common interests. In other words, the process which has been defined traditionally by a geographical term (however inaccurate that may have been originally) is defined instead by a class term. The notion implies that there has not been a simple functional relationship between economic change and political change as noted in Mandel's thesis (Chapter Four) and in other transnational class formation theories. Rather the forming of the bloc has involved unity but also difference expressed in the form of intergovernmental conflicts. Moreover, another aspect I have introduced is that as the emergent bloc formed, the multinational monopolies of the countries involved could operate at two levels: the national and the supranational as Cowles' researches have



indicated (2003). The emergent bloc thesis helps to explain not just the internal dynamic of EC /EU but also its external relations globally. It is an expression of European monopoly capitals and their states seeking to improve their position in the domestic and global arenas of the accumulation of capital (Carchedi 2001, Cypher 1992 and Albo 2003).<sup>145</sup>

The Marxist theory of bloc imperialism provides an alternative paradigm to social democratic models (such as Holland's) where priority in analysis is given to a struggle between MNCs and nation-states. The superiority of this theory over Holland's theory of European integration is that it can explain not only why unity occurred in the European integration process from the standpoint of historical materialism, but why conflict and friction occurred too. Holland in order to explain the conflict within the EC has to resort to institutionalism and idealist explanations e.g. the struggle between the national-supranational principles. In the theory of an emergent imperialist bloc these struggles can be explained within the context of the conflict over capital accumulation, each section of national monopoly capital struggling to seek advantage either at the expense of another or in the form of deals. Moreover, the role of the EC/EU can be explained in terms of an international organisation that assists in the bloc accumulation of capital internally and externally. This theory opens up new vistas in our understanding of regional formations and offers a fruitful framework for future research.<sup>146</sup>

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<sup>145</sup> The concept of Europe resembling medieval imperial political forms has been mooted by Jan Zielonka (2006). However his concept of 'imperial' Europe is different to the Marxist concept adumbrated in this thesis.

<sup>146</sup> This theory of bloc imperialism opens up new research lines: such as when do antagonisms between imperialism transform into the need to form blocs? How then are inter-imperialist relations, political and economic, transmuted in such blocs? How stable are such blocs? What are their internal and external dynamics? How do the institutions created in such blocs modify relations? How is state power affected by such blocs? Above all, what happens to state power in such blocs? What are the class dynamics behind other regional formations in the global political



This theory also puts another gloss on the building of the European Union. Holland regards the EU as a means of protection against capital movements. He holds out the prospect of improved state management of monopoly capitalism within the EU based on EMU and the ability of the EU to raise new funds for social programmes without the fear of the reaction of international capital markets. In one sense, he does recognise the ability of this new bloc to improve its capital accumulation vis-à-vis other states in the global capitalist economy due to its power and therefore provides greater social benefits for some as a result. However, as we related in Chapter Five, the other side of the coin is that this new entity is designed to improve Europe's position in the global economy through inter-imperialist rivalry and increased competition (as discussed above). Thus there will be renewed pressures on workers to be flexible, competitive and more productive and at the same time Europe will become more demanding in relation to other powers in terms of its interests. In other words, there will be a heightening of inter-imperialist conflict as a result (Beitel 2005) unless a New Bretton Woods is established.<sup>147</sup>

A major consequence of Holland's position on the EU is the future for the nation-state and social democracy. In Holland's regional political strategy the role of the nation-state is downgraded. It serves social welfare functions but its central economic function of the "embedded liberal" era is ended. Its political role becomes subordinate to the EU. Its main political role domestically is to

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economy? On this last point, comparative regionalist studies such as Gamble and Payne's (1996) and Schultz, Söderbaum and Öjendal – especially the conclusion (2001) provide a starting point for such a project.

<sup>147</sup> There is no reason it would last longer than the last. See Helleiner (1994, p. 197).

“mediate” class relations; it still polices private property too. Yet at the EU level the institutions of democratic power remain weak. Holland has no proposals to strengthen their powers in any major way. Holland has not solved the problem of the ‘democratic deficit’. Yet Holland calls on labour to organise at the EU level rather than the national to improve their economic position. This appears like a no-win situation for labour and social democracy. On the one hand, the nation-state is weak against global economic forces; on the other hand, the movement has no real direct democratic input into the EU. Holland’s strategy offers no real opportunity for social democracy to gain power that can enable it to ‘command economic forces’ and therefore build a base for itself at either level. Furthermore, to win support for the EU social democracy has to show that the EU offers the opportunity to achieve the command of economic forces for labour’s benefit, yet the opportunities for welding power within the EU are limited. Holland’s left social-democratic strategy although promising much can offer little. Social democracy in this model would have a bleak future. Perhaps this is why some social democrats still adhere to the national path of power (Whyman, Burkitt Bainbridge, 2000; Martell 2001).

In the process of criticising Holland’s political economies and strategies I have had to argue my own. It is to strategy that I turn next. The key to a socialist strategy is state power. It is state power that preserves the property regime of private property which forms the basis of capitalist exploitation. The abolition of exploitation of labour requires that private property in the means of production is turned into social property by degrees i.e. mainly public property. This task, as we have argued, cannot be achieved without challenging the capitalist state. This,



in turn, requires that a socialist party comes to a determination as to where the state is located. As we have seen different theories give different replies to this. Some have placed it at the level of the nation-state, some at the level of 'regional state', others have written of the 'global state' (Panitch 2000, 2001; Holland 1983; Shaw 2000). In a sense all are correct. As Murray (1975) and Lipson (1985) have pointed out as the multinationalisation of production advances then the state or states have to devise multilateral forms of protection for property. However, although the regulation of property has become internationalised the possession of force, or physical power, remains in the hands of the state and this primarily is still the nation state. As yet, not even the EU has transformed sole discretion of the deployment of such force to a new state body away from nation-states. This ultimately must be the criterion by which a socialist party, which wants to end exploitation, must ultimately judge where the power of monopoly capitalism is situated. Holland's criterion was economic power; however I believe that to be too narrow. The essence of the capitalist state is its political force and that is a prime criterion as to where the state is located. It is this force which maintains capitalist private property. Therefore socialist strategy should be directed wherever that resides. We made the point in earlier chapters that this still resides in the nation-state and it is to this locus that socialist strategy should be located. Furthermore, the aim, again as we have argued, is not to utilise the capitalist state but to replace it with a state that embodies not capitalist, but working class power. For it is only with a truly, participative democracy that the foundations can be put in place to ensure the political sovereignty of the people over the power of private capital.

Overall, the conclusion of this thesis must be that Holland's opus remains at odds with Marxism. In his national political economy and his regional political economy Holland's analyses were partial, inconsistent, and pluralist in theoretical perspectives from a Marxist point of view. Likewise Holland's strategies in their goal of making capitalism more competitive offered the appearance of improvement for certain sections of the working class but overall they led to a situation, through the logic of capitalist competition, to a downward pressure upon those conditions. The external repercussions of such a policy would yet further intensify inter-imperialist rivalries and responses from competitors. The use of protectionism against rivals would only aggravate global political tensions. The hope of countervailing that with global state management (Holland 1994b) would only meet with the same fate as the original Bretton Woods (Block 1977). From a Marxist point of view, the foremost purpose of strategy, which bears in mind internationalist responsibilities, must be to find a route out of capitalism, currently, through the nation-state, to restructure the state upon new foundations, and not to be bound by the logic of imperialist reproduction.



## Appendix A – Some Biographical Details of Stuart Holland

These biographical details incorporate three aspects of Holland's life in relation to the thesis: (1) a brief outline of the major academic and political career developments; (ii) a brief summary of the influences upon him; (iii) a guide to his major writings.

Holland was born in 1940. He was an undergraduate at the University of Missouri 1959-60 (Downloaded 18/1/06: [www.econ.uoa.gr/ua/files/1960985655..pdf](http://www.econ.uoa.gr/ua/files/1960985655..pdf)). He won a scholarship to Balliol, Oxford to read Modern History and Political Theory in which he obtained 1<sup>st</sup> Class Honours (1960-63). Although offered a job by Harold Wilson in the International Department of Transport House he turned that down to study for a D. Phil in Economics again at Oxford (his thesis was on Regional problems: 1963-72) (Beckerman 1973). He became a member of the Labour Party in 1962 (*Who's Who*).

He was then offered a job in the Department of Economic Affairs which was in the process of drawing up the 1965 National Plan and needed someone with economic knowledge on regions. Whilst at the Department of Economic Affairs he approached Thomas Balogh, who was the Special Economic Adviser to the Cabinet, and asked for work in a wider context. As a result he worked as an Economic Assistant to the Prime Minister, Cabinet Office (1966-67) and following on from that in 1967-8 he worked as Political Assistant to the Prime Minister, Harold Wilson. For a short time he was a civil servant with the

opportunity to sit on various committees in Whitehall (Mike Prior 1980 and *Who's Who*).

It has been argued by George and Haythorne that the Labour Party had 'very little contact with continental socialist parties and Labour's thinking owed little to continental socialist thought' before Britain joined the Common Market in 1973. (quoted in Clift, 2001, p. 56). In the opinion of this author, on the basis of studying Holland's career and influence, this view needs amending. Holland's ideas and thus the Labour Party's economic policy were profoundly influenced by developments on the continent either directly through integration of aspects of European measures or in response to such measures.<sup>148</sup> His early interest in the State and its role in the economy led him to a study of continental models. Holland had been interested in European states' public policy since at least the mid-1960s. According to Holland, in 1966 he briefed Wilson on developments in French planning, namely their move towards direct negotiations with leading firms and recommended that planning-by-agreement with leading firms was the way to relaunch the National Plan. In 1968 he resigned from his post for several reasons one of which was Wilson's failure to follow through on Holland's suggested ideas. Apparently, Wilson offered Holland leadership of the first Strategy unit at No. 10. Holland declined this offer (to his later regret) (Holland 2004a).

His resignation had opened up new opportunities for Holland; for he was now able to express his ideas in the public domain. His intellectual focus, partly due to

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<sup>148</sup> On Holland's influence on Labour Party economic strategy see Wickham-Jones (1994); also: Hatfield (1978)



this career and partly due to his *political* commitments, led him to make deeper studies of the political economy of European states and the European Community. Holland spent ten years on the study of regional theory and policy in Western Europe and the United States before 1976 (Holland, 1976a, Preface). Holland's impressive and busy career had seen him take up appointments as a Research Fellow at the Centre for Contemporary European Studies at the University of Sussex from 1968-71 (Who's Who) and later as Associate Fellow and Lecturer at the same centre 1971-79 (Who's Who). He was also Lecturer in Economics and Contextual Studies in the European School of the University of Sussex, 1971-79. Following on research into regional problems in Italy he continued his studies of Italian models of public enterprise, particularly the IRI (the Italian Institute for Industrial Reconstruction), and in 1970-71 visited Italy to examine its work at first hand (Holland 1972a).

In 1972 he edited *The State as Entrepreneur* which was subtitled 'New dimensions for public enterprise: the IRI state shareholding formula'. This text sets out extensively, for the first time, Holland's approach to public enterprise in the modern capitalist economy. The themes which were later to become dominant in his works: namely the threat of multinationals and the role of public enterprises in countering that threat are clearly evident. He relates how the IRI had become a 'model' for state agencies elsewhere globally and praised it as an example of 'state enterprise as efficient and dynamic as leading private enterprise groups'(Holland 1972a, p. 1ff.). In particular he paid close attention to the financial 'formula' of the IRI whereby the bulk of its external finance was secured in the open market rather than from government capital grants. This

formula was to be referred to later in Holland's writings in relation to the European Union. Another feature which attracted him to the model was that role that it played in achieving government policy without being subordinated to government diktat in terms of tactics and strategy. In other words they had self-responsibility for the achievement of targets. For him it was a model of state entrepreneurship. Another feature of note for Holland was the shareholding format of the IRI. First it held shares in modern manufacturing and service firms and not in primary industries which were in decline; and secondly, its shareholding was not always a majority one. The significance of the former is that it was public enterprise in leading, dynamic sectors of the economy. The significance of the second point was that it enabled state influence over private firms without controlling them outright. In his conclusion, he argued that the general applicability of the model was possible in Britain and particularly within EEC countries (through the means of joint ventures) where they could 'mobilise a more effective response to. . . US multinational companies.' (Holland 1972a, p.265). This established another theme of Holland's later writings his desire to promote European enterprise against that of the United States.

This *academic* interest in European affairs was reinforced by membership of some important European-focussed events and committees. In 1972 he, along with other invited scholars, attended a seminar discussion on the theme of problems of European society at the Centre for International Affairs and West European Studies, Harvard. Out of these discussions there emerged Holland's essay *Europe's New Public Enterprises* published in 1974 (Vernon 1974). In 1973 he was appointed a consultant to the Economic and Social Affairs



Committee of the Council on European Regional Policy (*Who's Who*). In 1971 he co-authored with Wayland Kenny and Larry Whitty a Fabian pamphlet on the role of multinational companies in the EEC entitled *Sovereignty and the Multinationals*. From 1971 he became a contributor to the Fabian *Socialist Commentary* on public ownership. He also authored articles for Roy Jenkins on public enterprises (Holland 2004a). Hatfield writes that Holland was seen as a young protégé in social democratic circles at this time and in Edmund Dell's view Holland was the "foremost of those who have argued the relevance of this idea [of the state holding company –DL] to this country" (quoted in Hatfield (1978). His work on regional affairs led to his appointment as Special Adviser to the Expenditure Committee of the House of Commons on Public Money in the Private Sector, and Regional Development Incentives 1971-72.

In 1972 he edited *The State as Entrepreneur* which was subtitled 'New dimensions for public enterprise: the IRI state shareholding formula'. From 1972 through to 1989 Holland was a member of various sub-committees of the National Executive Committee of the Labour Party, these included: finance and Economic Policy, Industrial Policy, the EEC Economic Planning, Defence, Development Cooperation and the Public Sector. According to Wickham-Jones (1996), between 1972 and 1982 Holland wrote over twenty-five papers about economic policy for the Labour Party. It was in January 1972 that a new major breakthrough in Holland's career was made with his appointment to the Industrial Policy Committee. In February of that year he submitted a paper, along with Richard Pryke<sup>149</sup>, on the State Holding Company to a conference on industrial

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<sup>149</sup> Pryke had been a fellow adviser in the Cabinet Office in 1966.

policy held by the Labour Party. In that paper Holland argued the case for a state Holding Company in Britain along the lines of the IRI and reiterated Holland is the point made in his earlier pamphlet along with Whitty and Kenny that multinational companies posed a 'problem for national economic sovereignty' (Holland and Pryke, 1972, p.13). The committee was to have a major input into the radical 1973 Labour Programme. It was in this committee that he canvassed his ideas on public enterprises and the note of the state holding company (Holland 1972b) and the need to bring to heel the multinational companies (Holland 1972c).

In 1973 Holland began to associate with the Left of the Labour Party and attended a 'presentation' by Tony Benn (Hatfield 1978, p. 160). The proposals of a National Enterprise Board and planning agreements had been approved by the Party's National Executive Committee. Holland became active among constituency parties and shop stewards' meetings promoting the ideas as key instruments of socialist planning. An alliance with Benn offered him the opportunity to see them become reality (Hatfield 1978, p. 262ff.). This was to be an important development and a metamorphosis, as the former Fabian, Holland, began to be identified as a 'left-wing' Labour Party member and a 'Marxist' by some. He was abandoned by the right-wing social democrats (Hatfield 1978, p. 87).

In June of that year, there was a prolonged debate between Wilfred Beckerman, who was a Professor at University College, London and Holland over the merits



of Labour's plans for industry in the *New Statesman*.<sup>150</sup> Beckerman described Holland as the "chief academic 'backroom boy' behind the proposals" (Beckerman 1973, p. 655). During 1973-1974 Holland wrote his most renowned work *The Socialist Challenge* published 1975. It was in this that he gave his most elaborate exposition of his national strategy which of course became a substantial element of Labour's Alternative Economic Strategy, the name given to Labour's economic proposals contained in *Labour's Programme 1973*. Wickham-Jones (1996) considered that it gave the 'most complete account of the. . . [AES's] . . . theoretical underpinnings' (Wickham-Jones 1996, p. 54). Robert Skidelsky was fulsome in his evaluation describing it as 'arguably the most important book from the British left... it puts the case for socialism in terms not of values but tasks.'<sup>151</sup> Others considered it weak in its analysis of public enterprise (Feigenbaum 1982). Holland became a 'tireless publicist for the strategy, producing a deluge of books and articles supporting it' (Wickham-Jones 1996, p. 54). One of the publications of this tireless campaign was the short book, the *Strategy for Socialism* (1975).

In 1974 he was a member of the Department of Industry Working Party on the Industry Act which was to give legal expression to Labour's economic proposals. The draft Industry Bill was undermined by Harold Wilson's arguments against it (Holland 2004, pp. 296-7). It was in 1974 that he became a member of the Council of the Institute for Worker's Control, an organisation which promoted industrial democracy and an associate of the Institute of Development Studies at Sussex University. He was Governor of the Institute from 1983-1991.

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<sup>150</sup> Holland claimed later that Anthony Crosland had helped get Beckerman's "assault" into the journal. See (Holland 2004b, p. 176).

<sup>151</sup> From reviewers' comments on the back page of Holland (1976a).

This high point in Holland's career was followed in 1974-75 by a new post alongside Tony Banks, as Special Adviser to the Minister of Overseas Development, who was an old friend, Judith Hart. From 1978-81 he was an executive member of the 'hard left' group the Labour Coordinating Committee. This was a grouping within the Labour Party formed in 1978 based on a range of socialist opinion who aspired to inner - party constitutional reform and greater campaigning work.

From 1975-6 he served as a member, with Jacques Delors and Franco Archibugi amongst others, on the Expert Committee on Inflation of the Directorate General for Economic and Financial Affairs of the EC Commission (known as the Malague Report on *Problems of Inflation* published in Brussels in 1976 (Holland 1979d, p. 5)<sup>152</sup>; and in English in 1977) (Holland 1980, p. 131 and 1979d, p. 5, note). Its report proved to be controversial as it recommended policies which 'would amount to both positive intervention and a degree of positive integration, feasibly within an international planning context' (Holland, 1980, pp. 26-7).

In 1976 he had his two major works on regional problems published (1976b; 1976c) whose scope covered the question of uneven development. These studies were the product of ten years research on regional theory and policy. A chapter on 'Meso-economics, multinational capital and regional inequality' in Lee and Ogden's volume *Economy and Society in the EEC* followed in the same year. In 1977 he contributed a significant chapter on Keynes' contribution to

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<sup>152</sup> Members of the Study Group included Franco Archibugi, Jacques Delors, Stuart Holland, Robert Malague, Dirk Dolman, and Heinz Markham



socialism and sought to explain the preference in the Labour Party for Keynesian demand management rather than Marx's theory of surplus value. He also indicated the limits of Keynesian policies in transforming capitalism.

Also in 1976 he took part in a conference on the "crisis of capitalist planning" at the University of Sussex in which several socialists "who have been central to [the] new challenge from Left" in four main Western European countries took part. Out of this conference Holland edited the text, *Beyond Capitalist Planning* published in 1978 which examined planning problems and prospects in France, Italy, Germany and Britain (Holland 1979d p. 2).<sup>153</sup> Holland wrote in his introduction to the book that there was 'a degree of convergence in theory and policy between ideologues and activists in four European parties - the French and Italian Socialists, the SPD, and the British Labour Party' (Holland 1979d, p. 6). He also contributed a chapter on 'Planning Disagreements' in the British Labour Party in the early 1970s. This contains his analysis of the critical reasons why Labour failed to achieve its radical objectives in 1974. This was supplemented by a more extended analysis in the chapter on 'Capital, Labour and the State' in Ken Coates' edited volume *What Went Wrong* (1979a). In 1977 he was appointed Rapporteur to the Trades Union Advisory committee of the OECD (*Who's Who*). In these activities, Holland was extending his circle of contacts with key European socialists and becoming more involved with socialists on the continent.

Holland also made analyses of other aspects of the capitalist system other than the rise of multinational monopoly power in the market (Holland 1987a and

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<sup>153</sup> Participants included: Jacques Delors, Jacques Attali, Franco Archibugi, Karl Georg Zinn and Thomas Balogh.

1987b). In 1979b he wrote on ideology in Britain, in the form of the power of the press. In this he set forth his ideas on how to countervail the power of the publishing magnates in the industry. In 1981 Holland tackled for the first time the issue of Britain's financial institutions in his chapter on 'New Public Enterprise and Economic Planning' (1981b) in a volume edited by Ken Coates entitled 'How to Win?' which was the sequel to 'What Went Wrong?' He also filled out his ideas on planning alongside his concept of public enterprises. This was part of an attempt to keep Labour moving in the radical direction of the 1973 Programme.

In 1979 his brief parliamentary career began. He was elected Member of Parliament for Lambeth, Vauxhall in 1979, which he held until 1989. He was appointed Shadow Minister of Overseas Development by Neil Kinnock in 1983. In 1987 he was appointed Shadow financial Secretary to the Treasury, which he held until he left parliament in 1989. He then resumed his academic career. It was about this time that he was appointed Professor of Economics, European University Institute, in Florence (until 1993). Following this he became director of a number of consultancies, namely the Associate Research in Economy and Society from 1993 to 1998; and of Alter-Europe from 1998-2003. He became a Visiting Professor at the faculty of Economics at the University of Cambria in 2002.

He paid close attention to Eurocommunist political strategy and economic policy, inevitably so, examining continental European experience. He wrote an article in 1979 on 'The New Communist Economics' and contributed to a Labour Party



pamphlet on Eurocommunism in 1980. Also in 1980 Holland published his major analysis of the European Community entitled the 'Uncommon Market'. This text is a rare attempt by a left social democrat to give an in-depth analysis of the Community in terms of its origins, dynamics and political and economic ramifications. It also marked a crucial stage in Holland's intellectual development: a refocusing of his attention and efforts towards a European rather than a national strategy. In 1981 Holland was prepared to back withdrawal from the EEC provided that there was a refocusing on a 'broader' European and global level rather than the inner Europe of the EEC. He described this as a 'positive counter-offensive to militarism, monetarism and multinational capital on a global scale. . .and a global project for disarmament, democracy and genuine development' (Holland 1981, p. 12).

Holland was involved in the Forum for International Political and Social Economy (IPSE) which may be characterised as form of left-wing epistemic community seeking international policy coordination. This was "a group of socialist economists in the main West European countries who met informally over a period of up to 10 years before 1983" (Holland, 1983, p. 13). Many went on to become prominent academics or to hold prominent positions in their parties e.g. Franco Archibugi, Francis Cripps and Frank Vandenbroucke. He initiated (claim by Holland 2004b) and became Coordinator of the European Recovery Project *Out of Crisis* (1981-3) which was sponsored by the French Ministry of Education and Research. *Out of Crisis*, an influential text, edited by Holland, resulted. Callaghan (2000) has described this as part of the process of transferring the AES to the European stage. The core of this approach was adopted in the

March 1984 Manifesto of the Confederation of Socialist Parties of the European Community (Holland 1984, p. 256). Holland in his chapter 'Out of Crisis – International Economic Recovery' (1984) held out optimistic hopes for international co-ordination in Europe for public policies he advocated. He also began to elaborate the economic policies for the left in power in Europe in relation to the world economy. Alongside this chapter was a call by Neil Kinnock for a 'new Euro Bretton Woods'.

The European focus of Holland's career intensified in the late 1980s. In 1988 he was appointed as Consultant to the Secretarial General of the Commission of the European Communities on 'A theoretical and statistical framework for analysis of the competitive context of corporate strategies in the internal market'. In the following year, he was appointed as Consultant to DG XVI of the Commission of the European Communities on 'A Community framework for the promotion of regional development agency and enterprise joint ventures'. He was a member of the 'Inter-Services Science, Technology and Social Sciences Research Committee of the Commission of the European Communities' (otherwise known as the 'Drafting Committee for the Fourth Framework Programme on Science and Technology') from 1990 to 1993. He was economic adviser to the Merger Task force of the European Commission DG IV over roughly the same period. He was made Director of the Project on 'Economic and Social Cohesion in the 1990s' for European Commissioners Delors, Christophersen, McSharry, Papandreou and Millan. This lasted from 1990-92. Further posts in Europe included him being consultant to DG XII of the European Commission on 'The Contribution of Science and Technology to Global Development Needs' 1991-



94. He was consultant to on the 'Macroeconomics of Reorganising and Reducing Working Time' to DGV of the European Commission, 1996. He held also adviser roles to the Portuguese Presidency and the Greek Presidency of the European Council, 2000 and 2003 respectively.

This career focus was paralleled by a new European focus of Holland's writings and thoughts. In 1986 he reiterated his call for a broad pan - European Alternative Economic Strategy (alongside the EEC) (Holland 1986). This was followed by a reassessment of the EEC and a call to support the Maastricht Agreement on condition that there were measures to protect monetary exchange rates and extensive employment and welfare guarantees (Holland 1992a) as well as a call for Europe's to act globally (1992b). Arising out of his responsibility for reporting on 'economic and social cohesion' in the EEC (1990-92) the work the 'European Imperative: Economic and Social Cohesion in the 1990s' (1993a) was published, which was edited and written by Holland and assisted by a wealth of academic talent from across Europe. This was the basis of Jacques Delors's White Paper on Growth, Competitiveness and Employment. According to Holland it 'endorsed a plural mixed economy case written European-wide rather than the nationalisation case of the Common Programme of the left in France' (Holland, 2004b, p. 181). Holland also claimed that it was one factor in enabling Neil Kinnock in shifting the Labour Party's commitment to Europe (Holland, 2004b, p. 181). The prospect of a European Investment Fund adopted at the Edinburgh Summit (1992) held out hope for Holland that the financing for a plan for economic recovery for Europe had been put in place (1993b). This was followed by participation with Ken Coates for a call to the European Union to

implement plans for full employment in 1995 (Coates and Holland 1995). In 1996 he argued for a European-wide New Deal based on European financial institutions (Holland 1996, 'How to Give Europe a New Deal' 25.11.96, *Guardian Internet Archive*).



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